



The Sherwin-Williams Company
101 Prospect Avenue, NW
Cleveland, Ohio 44115-1075
Phone: (216) 566-2000
Facsimile: (216) 515-4400

US EPA RECORDS CENTER REGION 5



465621

APR 24 2001

April 20, 2001

U.S. Environmental Protection Agency
Deena Sheppard-Johnson, SR-GJ
Remedial Enforcement Support Section
77 West Jackson Blvd.
Chicago, IL 60604

Re: Chemical Recovery Systems Site, Elyria, Ohio
Request for Information

Dear Ms. Sheppard-Johnson:

This letter is in response to the March 2, 2001 Requests for Information regarding the Chemical Recovery Systems Site sent to Sherwin-Williams and Sprayon. I understand that this response will be considered timely submitted. Without waiving any objections, Sherwin-Williams responds to the Requests for Information as follows:

1. The following persons were consulted in preparation of the answer to these questions:

Eric Nieder
The Sherwin-Williams Company
10428 Chester Road
Cincinnati, OH 45215

Steve Rogers
The Sherwin-Williams Company
10488 Chester Road
Cincinnati, OH 45215

Jackie Robertson
The Sherwin-Williams Company
10488 Chester Road
Cincinnati, OH 45215

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William Booher
The Sherwin-Williams Company
761 Beta Drive
Mayfield Village, OH 44143

Wayne Mahowald
The Sherwin-Williams Company
10740 Broadway
Cleveland, OH 44125

Ron Krzewinski
The Sherwin-Williams Company
26300 Fargo Avenue
Bedford Heights, OH 44146

Gerald Butz
The Sherwin-Williams Company
26300 Fargo Avenue
Bedford Heights, OH 44146

2. See enclosed documents.
3. Sherwin-Williams has not identified any persons who have additional responsive information.
4. Based on its review, Sherwin-Williams has not identified any information that indicates that waste from any Sherwin-Williams' facility was disposed at the Site. The EPA Identification Number for the Bedford Heights facility is: OHD095341178.
5. Sherwin-Williams has not identified any such acts or omissions that may have caused the release or threat of release of hazardous substance, pollutants, or contaminants and damages, resulting therefrom at the CRS Site.
6. Sherwin-Williams has not identified any persons who have knowledge or information about the generation, use, treatment, storage, disposal, or other handling of material at or transportation of materials to the Site (operating as Obitts Chemical Company or Chemical Recovery Systems, Inc. , at 142 Locust Street, Elyria, Ohio). The attached hazardous waste manifest appears to indicate that material referenced on the manifest was taken to Michigan.



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7. See endorsed documents. The enclosed manifest appears to indicate that the material referenced on the manifest was taken to a site in Michigan.

8. See response to question 7 above.

9. See response to question 7 above.

10. Sherwin-Williams understands that a response to this request has been deferred at this time, and that EPA may renew its request at a later time.

11. Sherwin-Williams understands that a response to this request has been deferred at this time, and that EPA may renew its request at a later time.

12. a.) See enclosed Articles of Incorporation and By-Laws.

b.) See enclosed Annual Report.

c.) See enclosed Annual Report

d.) Not applicable

13. a.) Not applicable

14. Not applicable.

Pursuant to the Freedom of Information Act, Sherwin-Williams requests all information used by EPA to allege that Sherwin-Williams has liability for the Chemical Recovery Systems Site.

Thank you for your assistance.

Very truly yours,

A handwritten signature in black ink that reads 'Allen J. Danzig'.

Allen J. Danzig

Associate General Counsel, Environmental

216-566-2482

allen.j.danzig@sherwin.com

AJD/mls
Enclosure

HAZARDOUS WASTE MANIFESTO

All Blanks Must Be Filled In

I FILLED IN BY GENERATOR EPA IDENTIFICATION NUMBER OHDO9534117B

Name of Firm: Sprayon Prods. Inc.
 Address: 26300 Fargo Ave., Bedford Hts., Ohio 44146
 Telephone No.: 216-292 7400 Form Date 11-24-80
 Seal No.: _____ Bill of Lading No. SA 060019

WASTE INFORMATION

Number of Containers	Size of Containers	Describe Contents per EPA Requirements	Dot Shipping Classification	Weight
17/4	TANK CAR TRUCK	BULK SCRAP SOLVENT	195720	

List all pertinent information related to spills or other emergencies involving above wastes, such as potential dangers, best clean-up techniques etc.

List all handling risks with waste listed above such as dermal, oral, inhaled, LD50, TLV etc.

This is to certify that the above named and/or listed materials are properly classified, described, packaged, marked and labeled and are in proper condition for transportation according to the applicable regulations of the United States Dept. of Transportation, US EPA & Ohio EPA offices.

Signature of Authorized Agent [Signature] Officer Title _____

Form 79-7-1

II FILLED IN BY TRANSPORTING CARRIER

X 0107

Manifesto Number

Name: Chemical Recovery
 Address: 142 Locust, Elyria, Ohio 44035
 Agent Receiving Load & Manifest: _____
 Telephone No.: _____
 Pick-Up Date: _____ Time: _____ am/pm
 Trip Number: _____ Seal Number: _____
 Trailer Number: _____ Is Trailer Vented: _____
 Trip Problems, If any: _____

I certify under penalty of perjury, the said waste was hauled by me to the disposal facility/agent named below and was accepted.

Signature of Authorized Agent [Signature]

III FILLED IN BY OWNER OR AGENT OF THE DESIGNATED FACILITY

Name: _____
 Address: _____
 Telephone No.: _____ EPA I.D. # _____
 Date Load Received & Accepted: _____ Time: _____
 Intended For: ☐ Recovery ☐ Processing ☐ Disposal
 Specify Method: _____
 Signature of Agent Accepting Load: _____

III A FILLED IN BY OWNER OR AGENT AFTER WASTE HANDLING IS COMPLETE

Waste described in Part I of this manifesto has been duly acted upon and completed per above contract and approved U.S. EPA Standards.
 Completed Date _____ Our Invoice No. _____
 If waste is held for disposal elsewhere, specify _____
 Name _____
 Address _____
 EPA I.D. No. _____
 Final location _____
 Signature of Agent Completing Waste Action _____

Sprayon

PRODUCTS

DIVISION OF THE SHERWIN WILLIAMS CO.

26300 Fargo Avenue

Bedford Heights, Ohio 44146 Phone: 292-7400

Please Mail All Remittances To:

DUNS 00-493-76

P. O. BOX 5170-N
CLEVELAND, OHIO 44101

Direct All Orders and Correspondence To:

26300 FARGO AVENUE
BEDFORD HEIGHTS, OHIO 44146

CUSTOMER'S ORDER NO.

DATE ENTERED

SHIP VIA

PREPAID

PPY & ADD

COLLECT

11-24-80

CUSTOMER #

4821

(Indicate SHIP TO if other than SOLD TO)

CHEMICAL RECOVERY

SOLD
TO

142 LOCUST

ELYRIA OHIO 44035

SAME

TERMS:

NET 30 DAYS

INVOICE NUMBER			INVOICE DATE	DATE SHIPPED	B/L NUMBER	SHIPPED VIA			
				11/24/80	517060019	Pic/ll R			
QUANTITY			DESCRIPTION		ITEM #	PRICE	AMOUNT	DIST. MULTP.	NET AMOUNT
ORDERED	BACK ORD	SHIPPED							
			6400 BULK OF SCRAP SOLVENT						
			SUB-TOTAL	TAX %	TAX AMOUNT	ADD:	SUBT.	PAY THIS AMT	



CHEMICAL RECOVERY SYSTEMS, INC.

No. 7276

36345 VAN BORN ROAD
ROMULUS MICHIGAN, 48174
PHONE (313) 326-3100

142 LOCUST STREET
P.O. BOX 375
ELYRIA, OHIO 44035
PHONE (216) 323-3275

SOLD TO

Brayon Products
26300 Fargo Ave.
Bedford Heights, Ohio

DELIVER TO: 142 Locust St., Elyria, Ohio

DATE 11-24-80	CUST. ORDER NO. Verbal	F.O.B. <input type="checkbox"/> COLLECT <input checked="" type="checkbox"/> PREPAID	DATE REQUIRED	TRK. OR TANKER	SHIP VIA Our truck
DESCRIPTION	DRUMS	GALS.	POS.		
FLAMMABLE LIQUID, NOS. FLAMMABLE LIQUID (SOAP SOLVENT) Start 130 Finish 700		6400			
LOADED AT	OF	TA			
GROSS WT.	TARE	NET WT.	UNITS		

We hereby certify that these goods were produced in compliance with all applicable requirements of Sections 6, 7, and 12 of the Fair Labor Standards Act, as amended, and of regulations and orders of the United States Department of Labor issued under Section 14 thereof.

RELEASED BY
L. H. H.

DRIVER'S SIGNATURE
Jim M. [Signature]

ask.

ask.

How are we structured to maximize market opportunity?

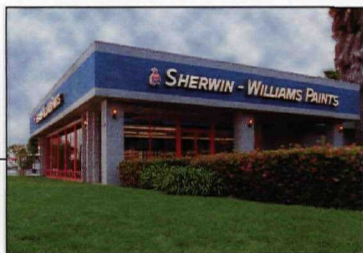
Sherwin-Williams is a manufacturer, distributor and retailer of coatings and other related products, with annual sales in excess of \$5.2 billion. More than half of our worldwide revenue is generated by our network of North American company-operated paint stores and automotive branches. We also market branded, private label and licensed brand products through a variety of other channels. These include mass merchandisers, home centers, hardware stores, independent paint dealers, industrial and marine distributors, automotive distributors and body shops, joint ventures, and licensees of technology, trademarks and trade names.

Our Company is organized into four operating segments. These segments allow us to closely tailor our technology, distribution and service to the needs of a particular marketplace.

T A B L E O F C O N T E N T S

The Sherwin-Williams Company recruits, selects and hires the best qualified people available – without discrimination based on race, religion, color, creed, sex, national origin, age, disability, status as a special disabled veteran, veteran of the Vietnam era or any other unlawful consideration.

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PAINT STORES SEGMENT

PRODUCTS SOLD: Paints, stains, caulks, applicators, wallcoverings, floorcoverings, spray equipment and related products

MARKETS SERVED: Do-It-Yourselfers, professional painting contractors, home builders, property managers, architects, interior designers, industrial, marine, aviation, flooring and OEM product finishes

MAJOR BRANDS SOLD: Sherwin-Williams®, Con-Lux®, Old Quaker™, Mercury™, Brod Dugan™, Pro-Line®, SeaGuard®, ArmorSeal®, Kem® Hi-Temp, Cook™, Sher-Wood®, Powdura®, Polane® and Kem Aqua®

OUTLETS: 2,488 Sherwin-Williams stores in North America



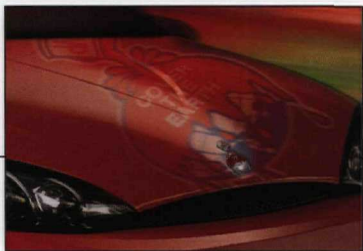
CONSUMER SEGMENT

PRODUCTS SOLD: Branded, private label and licensed brand paints, stains, varnishes, industrial products, wood finishing products, applicators, corrosion inhibitors, aerosols and related products

MARKETS SERVED: Do-It-Yourselfers, professional painting contractors and industrial maintenance

MAJOR BRANDS SOLD: Dutch Boy®, Krylon®, Minwax®, Cuprinol®, Thompson's®, Formby's®, Red Devil®, Pratt & Lambert®, Martin Senour®, H&C™, White Lightning®, Dupli-Color® and Rubberset®

OUTLETS: Leading mass merchandisers, home centers, independent paint dealers, hardware stores and industrial distributors



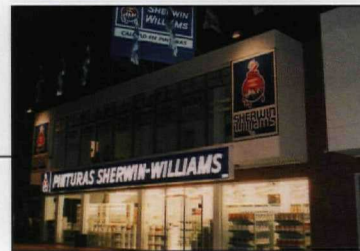
AUTOMOTIVE FINISHES SEGMENT

PRODUCTS SOLD: High performance interior and exterior coatings for the automotive and fleet industries, and automotive and heavy truck original equipment manufacturer (OEM) markets; as well as thousands of associated products

MARKETS SERVED: Automotive jobbers, wholesale distributors, collision repair facilities, dealerships, fleet owners and refinishers, production shops, body builders and original equipment manufacturers (OEM)

MAJOR BRANDS SOLD: Sherwin-Williams®, Martin Senour®, Western®, Lazzuril™, Excelo™, Marson™ and ScottWarren™

OUTLETS: 175 company-operated branches in the United States, Canada, Jamaica and Chile, and other operations in the United States, Canada, Mexico, Brazil, Jamaica, Chile and Italy



INTERNATIONAL COATINGS SEGMENT

PRODUCTS SOLD: Architectural paints, stains, varnishes, industrial maintenance products, aerosols, product finishes, wood finishing products and related products

MARKETS SERVED: Do-It-Yourselfers, professional painting contractors, independent dealers, industrial maintenance and OEM product finishes

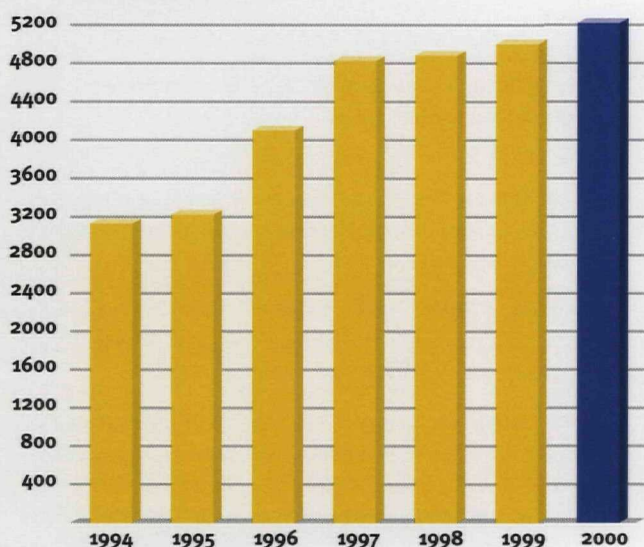
MAJOR BRANDS SOLD: Sherwin-Williams®, Dutch Boy®, Krylon®, Kem-Tone®, Pratt & Lambert®, Minwax®, Sumare™, Ronseal™, Globo™, Pulverlack®, Colorgin™, Andina™ and Marson™

OUTLETS: Distribution in more than 20 foreign countries through wholly-owned subsidiaries, joint ventures and licensees of technology, trademarks and tradenames, including 45 company-operated architectural and industrial stores in Chile and Brazil

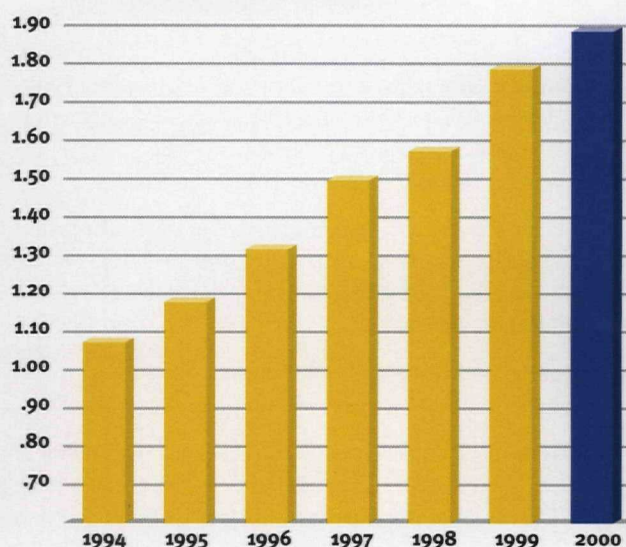
(Thousands of Dollars Except Per Share Data)

	2000	1999	1998
Net sales	\$ 5,211,624	\$ 5,003,837	\$ 4,934,430
Net income before impairment (1)	309,654	303,860	272,864
Less: Impairment of long-lived assets, net of tax	293,628		
Net income	16,026	303,860	272,864
Per share:			
Net income before impairment - diluted (1)	1.90	1.80	1.57
Less: Impairment of long-lived assets, net of tax	1.80		
Net income - diluted .....	.10	1.80	1.57
Net income - basic .....	.10	1.81	1.58
Cash dividends .....	.54	.48	.45
Book value	9.22	10.25	10.03
Average shares outstanding (thousands)	161,912	167,925	172,162
Return on sales (1)	5.9%	6.1%	5.5%
Return on beginning shareholders' equity (1)	18.2%	17.7%	17.1%
Total debt to capitalization	33.7%	30.5%	33.1%
Times interest earned (1)	9.0x	9.0x	7.1x
Current ratio	1.4	1.4	1.4
Total technical expenditures (2)	\$ 83,627	\$ 78,189	\$ 73,417
Advertising expenditures	276,078	265,411	282,817
Number of employees	26,095	25,697	24,822

Sales (millions)



Net Income Per Share - Diluted (1)



(1) Based on net income before the impairment of long-lived assets charge in 2000, net of tax. See Note 2, page 28.

(2) See Note 1, page 28, for a description of technical expenditures.

to our shareholders

In 2000, The Sherwin-Williams Company posted record sales of \$5.2 billion representing a 4.2 percent improvement over last year, our strongest sales performance in the past several years. Our net income, excluding a one-time charge for the impairment of long-lived assets, also set a new high at \$309.7 million, a 1.9 percent increase over 1999's performance. Earnings per share from operations, prior to the asset impairment charge, improved 5.6 percent from \$1.80 in 1999 to \$1.90 in 2000. This represents our 23rd consecutive year of improvement in earnings from operations. This past year we also increased the dividend for our 22nd consecutive year. As a sign of the Company's confidence in our future and in the value of our stock, we purchased 6.8 million shares of our stock on the open market for treasury. The price of our stock at year-end compared to last year was up over 25 percent.

Despite these positive results, we were disappointed with our performance in 2000. We expected to do better and fell short in a number of areas. This past year we experienced significant raw material cost increases driven by a sharp run up in the price of oil. Management reacted quickly by implementing selective mid-year price increases in some of our operating segments and making tough cuts in spending in all of our segments. However, we were not able, in the short term, to overcome the severity of these increases and margins suffered. We also experi-

enced a slow down in the demand for our products over the second half of the year. Even though we believe that we continued to gain market share in most product categories, our sales results lagged behind our expectations. There were a number of positive results in our operating segments that give us confidence as we begin 2001.

PAINT STORES SEGMENT

2000 marked the twentieth consecutive year of improved sales results from our Paint Stores Segment. Net sales increased 6.1 percent to \$3.2 billion while comparable-store net sales improved by 3.7 percent. Operating profit rose 9.2 percent to \$411.5 million. Gallon gains were posted in the architectural, industrial and marine and chemical coatings categories.

While servicing do-it-yourself customers remains an important part of our architectural coatings mission, we are increasingly focused on the professional painting contractor market. There has been a significant increase in the purchase of architectural gallons by painting contractors. This shift is driven by the demographic changes in our country as our population ages and has less free time to tackle major projects around the home. We are further encouraged by the fact that painting contractors continue to purchase almost all of their product requirements from the paint store channel. Our 2,488 company paint stores throughout North America give us

a significant advantage over all other paint store competitors serving professional painting contractors.

As a critical component of this contractor focused strategy, we remain committed to expanding our network of company paint stores. This past year, we opened 92 net new stores, providing more convenient access to every customer in these neighborhoods. Included in this number are nine stores acquired from the Norfolk Paint Company in Norfolk, Virginia that now proudly offer Sherwin-Williams® products. In addition to new stores, this Segment added 70 new sales representatives and launched 35 new products, strengthening our commitment to be the service and technology leader in our industry.

This past year, our industrial and marine business continued to be an important growing part of our Company. The acquisition of the business of General Polymers Corporation added a full line of industrial floor coatings to our existing broad line of industrial products. Our chemical coatings business also posted improved results as we accelerated our original equipment manufacturer specification approval process, launched new products and successfully grew our powder coatings business.

We believe the internet will play an increasing role in helping paint customers choose a supplier. Last year,

we made substantial progress in evolving our award-winning web site from a comprehensive information source to an e-business platform for professional customers. A select group of diverse professional customers took part in a pilot program to help us design a site that serves a broad range of their business needs. In the years ahead, we will continue to enhance this site and expand the service to a significant number of our professional customers.

CONSUMER SEGMENT

Net sales for our Consumer Segment ended the year at \$1.2 billion, essentially flat with last year's performance. More disappointing, operating profit declined 8.0 percent to \$142.5 million, excluding the asset impairment charge. Our poor performance in this Segment reflects our lackluster sales and inability to pass on raw material cost increases to our customers in a timely fashion.

In addition, certain parts of our Consumer Segment, specifically Pratt & Lambert, Thompson's and Cleaning Solutions, lacked the past financial performance or management's expectations of future cash flow to support the carrying value of certain long-lived assets, particularly goodwill, resulting in a \$293.6 million after-tax write off for impaired long-lived assets (\$1.80 per diluted share on an annual basis). This one-time charge had no cash effect on our Company in 2000.

After a year like this, it is important that management reacts, makes changes and moves in a different direction. We have done that. We have made organization and management changes to reduce the complexity of our operation, gain greater focus on individual product lines and further reduce costs. As a result, we have created three operating units within this Segment.

The Wood Care Business Unit will be responsible for the sales, marketing, manufacturing and technical development of our Thompson's®, Minwax® and Formby's® product lines. Harvey Sass, Senior Vice President - Wood Care, will head this organization.

Our Diversified Brands Business Unit will be responsible for the sales, marketing, manufacturing and technical development of our Krylon® and Red Devil® brands of aerosol and small package paint, our industrial, automotive and custom-filled aerosol products, our White Lightning® brand of caulks and sealants and our applicator business. This business will be managed by Tim Knight, Senior Vice President - Diversified Brands.

The Consumer Division will be responsible for the sales and marketing of our branded and private label architectural coatings other than the Sherwin-Williams® brand. These names include Dutch Boy®, Pratt & Lambert® and Martin Senour®, as well as nationally recognized private label and licensed brands. This Division will continue to be responsible for the manufacturing and technical development for all architectural and industrial and marine coatings for our Company domestically. Tom Seitz, President & General Manager, Consumer Division, will lead this team.

In addition to these organizational changes, two non-core business units in the Consumer Segment are currently being marketed for potential divestiture. We believe the Cleaning Solutions and Graphic Arts businesses will perform better within an organization where their focus relates more closely to the core function of a potential acquirer.

The Consumer Segment has a portfolio of outstanding brand names and relationships with the top retailers in our country. We expect these changes will improve our ability to react quickly to changing market conditions and bring a heightened sense of urgency to required improvements.

AUTOMOTIVE FINISHES SEGMENT

The Automotive Finishes Segment ended the year with \$493.4 million in net sales for a 4.8 percent improvement. Operating profit declined to \$61.3 million from \$66.5 million in 1999. Operating profit was negatively impacted in 2000 by a \$6.8 million provision for the disposition

of the Chicago and Troy technical facilities as the Segment moved to its new state-of-the-art automotive technology center in Warrensville Heights, Ohio. This new facility will improve the efficiency and productivity of our automotive finishes product development effort.

In 2000, the Automotive Finishes Segment expanded its distribution network through both company branches and independent distributors. Three net new Sherwin-Williams branches were opened or acquired bringing our total to 175 facilities. The acquisition of ScottWarren S.p.A. in Italy, a manufacturer of automotive coatings for the collision repair market, provides a solid base upon which to grow our presence in Europe and enhances our color match capability for all European automobile makes.

The Automotive Finishes Segment begins 2001 under new leadership. Ron Nandor has been promoted back into this Segment to the position of President & General Manager, Automotive Division, after a successful assignment as Executive Vice President - Marketing of our Paint Stores Group.

INTERNATIONAL COATINGS SEGMENT

2000 proved to be another difficult year for our International Coatings Segment. Net sales improved 2.6 percent to \$307.0 million, but operating profit declined by 47.9 percent to finish at \$17.7 million. A harsh economic climate in South America negatively impacted our performance in the entire region, most notably in Argentina. In the United Kingdom, an extended truck strike, poor weather and rising oil prices took their toll on our Ronseal operations.

Despite our results in this Segment, we remain optimistic about our growth prospects in these markets over time. Last year, Sherwin-Williams and our subsidiaries introduced 60 products to meet specific coatings needs in these countries, with much of the technology transferred from our domestic operations. In Brazil, the acquisition of Pulverlack Tintas Ltda.,



a powder coatings manufacturer, strengthens our industrial position in this region.

A key management change was made in our International Coatings Segment as well. Mike Galasso was named President, International Division after his successful assignment as President & General Manager of our Automotive Division.

OUTLOOK FOR 2001

While the economic climate does not look promising at the beginning of this new year, we look forward with optimism and confidence. This optimism and confidence comes from sound strategic plans in support of each of our Segments, a track record of past success and 26,000 employees committed to making this year better. We are focused on the significant opportunities we have to gain market share in every business segment regardless of the economic environment.

MANAGEMENT CHANGES

This past year, we said goodbye to two long-time leaders of our Company. Don Fields retired after 46 years of service, most recently as President of our International Division. Don's steady hand touched many different divisions at Sherwin-Williams over his impressive career and he has made numerous significant contributions. We wish Don and his

wife Joyce many years of continued good health and happiness.

Our long-time Chairman, Jack Breen, completed the last phase of the Company's orderly management succession plan as he stepped down from his position as Chairman of our Board of Directors. The legacy Jack leaves behind is impressive, beginning with the consecutive years of earnings growth and strong stock performance throughout his tenure. But more lasting for those of us who had the pleasure of knowing and working for him, will be the manner in which Jack conducted his personal and business affairs. Words like integrity, honesty and morality

are ingrained in this Company as a result of Jack's leadership. While he is missed on a daily basis, Jack continues to play an important role as an active member of our Board of Directors. We wish Jack and Mary Jane an active life, full of adventure, good health and happiness.

Every day our hard working team arrives at Sherwin-Williams committed to improving your Company. We are blessed with the most dedicated and talented employees in our industry. We are thankful for the loyalty of our customers and the support of our suppliers. We are excited about our future, proud of our past and most appreciative of your continuing trust.

Christopher M. Connor
Chairman and Chief Executive Officer

Joseph M. Scaminace
President and Chief Operating Officer

ask.

What is our commitment to technology and new product development?

Technology has been a cornerstone of Sherwin-Williams throughout our history. Being first to market with new and innovative products makes our customers more successful and strengthens the image of our brands and our Company. Over the past five years, this commitment to R&D has helped us bring more than 330 new products to market.

In recent years, we have made a number of strategic investments to further enhance our research and development capability. Last summer we dedicated the John G. Breen Technology Center in downtown Cleveland. Nearly twice the size of the original Cleveland Technical Center, this new facility is the hub of our worldwide architectural product research and development effort. In 2000, we also opened The World Automotive Center in Warrensville Heights, Ohio, a research and development facility for automotive coatings that consolidates labs previously located in Chicago and Troy, Michigan. These two state-of-the-art facilities strengthen our research and development capabilities and further enhance

our ability to attract the most talented technical people within the industry. These new facilities complement our major industrial lab in Chicago.

We also recognize the need to support research and development enterprises outside the United States. These facilities enable us to tailor products to the performance requirements and cultural preferences of our local customers. Our international product development efforts are facilitated by the transfer of technology across borders and by strong relationships with global raw materials suppliers.

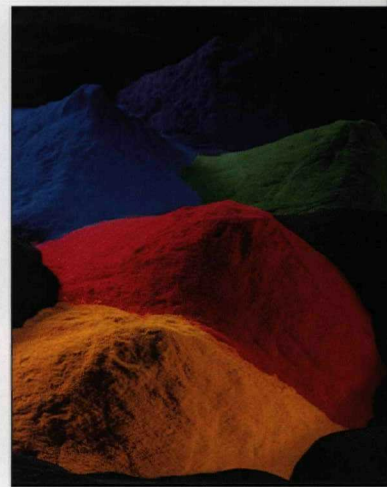
Our mission is to develop products that are both market-responsive and environmentally responsible. That means meeting or exceeding our customers' performance expectations with products that also meet or exceed current environmental regulations. We believe the ongoing development of technology to produce environmentally responsible, high-performance coatings will help to ensure our continued success in the years ahead.

THE JOHN G. BREEN TECHNOLOGY CENTER IS THE HUB OF SHERWIN-WILLIAMS' WORLDWIDE ARCHITECTURAL PRODUCTS RESEARCH AND DEVELOPMENT EFFORTS. THIS INCLUDES NEW PRODUCT DEVELOPMENT — LAB TECHNICIANS CAN SCALE UP NEW PRODUCT PROTOTYPES FROM SMALL BENCH SAMPLES TO FIFTY-GALLON PRODUCTION BATCHES ON SITE — TO ONGOING QUALITY ASSURANCE AND COMPETITIVE PRODUCT TESTING.





▶ ADVANCED PERMALAST TECHNOLOGY GIVES OUR DURATION® COATING A THICKER, MORE FLEXIBLE FILM AND UNPARALLELED PROTECTIVE PROPERTIES. WHICH IS WHY OUR DURATION® COATING HAS BECOME A FAVORITE AMONG HOMEOWNERS AND PROFESSIONAL PAINTING CONTRACTORS ALIKE — INCLUDING THE CONTRACTOR PAINTING THIS 129 YEAR-OLD YAQUINTA BAY LIGHTHOUSE (THE OLDEST EXISTING WOODEN FRAMED LIGHTHOUSE) ON THE PACIFIC COAST OF OREGON.

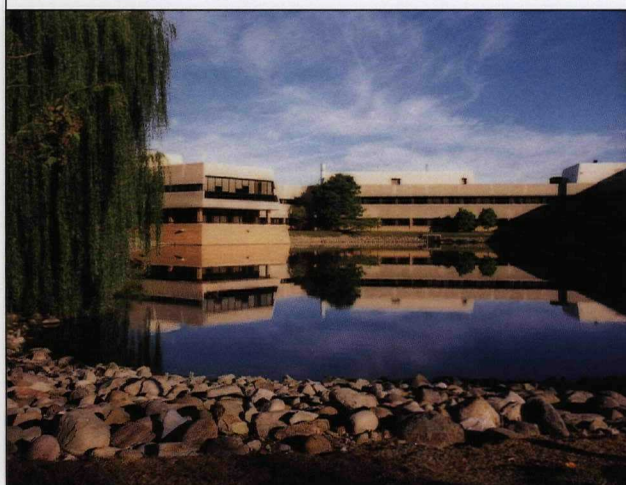


▶ IN 2000, WE INTRODUCED POWDURA® LOW-CURE EPOXY, LOW-CURE POLYURETHANE AND LOW-CURE TGIC POLYESTER POWDER COATINGS. ALL THREE OFFER APPEARANCE, APPLICATION AND PERFORMANCE CHARACTERISTICS COMPARABLE TO STANDARD CURE POWDER, BUT REQUIRE LESS ENERGY AND LESS TIME TO CURE — BIG ADVANTAGES FOR MANUFACTURERS OF HEAVY EQUIPMENT, MACHINE TOOLS AND HEAVY AUTOMOTIVE COMPONENTS.

▶ IN 2000, SHERWIN-WILLIAMS INTRODUCED PAINTING IMAGES™, A SOPHISTICATED SOFTWARE TOOL FOR PAINTING CONTRACTORS. PAINTING IMAGES™ ENABLES CONTRACTORS TO QUICKLY AND EASILY "PAINT" A DIGITIZED PHOTOGRAPH OF THEIR CUSTOMER'S HOME OR BUILDING TO FACILITATE COLOR SELECTION PRIOR TO STARTING WORK. THIS POWERFUL TOOL GIVES CUSTOMERS CONFIDENCE IN THEIR CHOICE OF COLOR, AND IN THEIR CHOICE OF CONTRACTOR.



▼ LOW-ODOR PAINTS MINIMIZE THE DISRUPTION OF PAINTING IN OCCUPIED AREAS, GIVING HOMEOWNERS GREATER PEACE OF MIND AND COMMERCIAL PAINTING CONTRACTORS MORE PRODUCTIVE HOURS DURING THE DAY. FOR THESE REASONS, SHERWIN-WILLIAMS HAS DEVELOPED A BROAD RANGE OF HIGH-PERFORMANCE, LOW-ODOR PAINTS TO SERVE A VARIETY OF CUSTOMER APPLICATIONS.



▶ THE WORLD AUTOMOTIVE CENTER, OPENED IN SEPTEMBER OF 2000, IS BOTH A RESEARCH AND DEVELOPMENT FACILITY AND A TRAINING CENTER. IT HOUSES A STATE-OF-THE-ART APPLICATIONS CENTER THAT CAN REPLICATE NEARLY ANY REFINISHING ENVIRONMENT — FROM CLIMATE VARIATIONS TO AIRFLOW CONDITIONS TO ROBOTIC APPLICATIONS. OUR AUTOMOTIVE LEARNING CENTERS TRAINED MORE THAN 5,000 CUSTOMERS AND EMPLOYEES LAST YEAR ON CURRICULA RANGING FROM PRODUCT SPECIFICATIONS TO COLOR TO BUSINESS MANAGEMENT.



ask.

*How does our distribution
infrastructure help us satisfy
more customers?*

Having the right products in the right place at the right time is a prerequisite of good customer service. To ensure our products reach customers wherever and whenever they choose to buy, we have developed an extensive network of independent and company-operated distribution channels.

Our Paint Stores Segment, comprised of 2,488 company-operated stores throughout North America, provides a strong distribution platform for Sherwin-Williams® branded products. These specialty paint stores offer a broad product assortment that can be tailored to the specific needs and preferences of customers in a specific locale.

Sherwin-Williams' Automotive Finishes Segment distributes products through a combination of 175 company-operated branches, including outlets in the US, Canada, Jamaica and Chile, and a variety of independent channels. This Segment also conducts business through nine wholly-owned subsidiaries in five foreign countries and twelve foreign licensing agreements spanning 29 countries.

Our Consumer Segment sells products under well known brands such as Dutch Boy®, Thompson's® and Minwax® through some of the top retailers in our country. Successful licensed brand programs and private label manufacturing agreements have further extended our

presence in independent paint stores, hardware stores, home centers and mass merchandisers throughout North America.

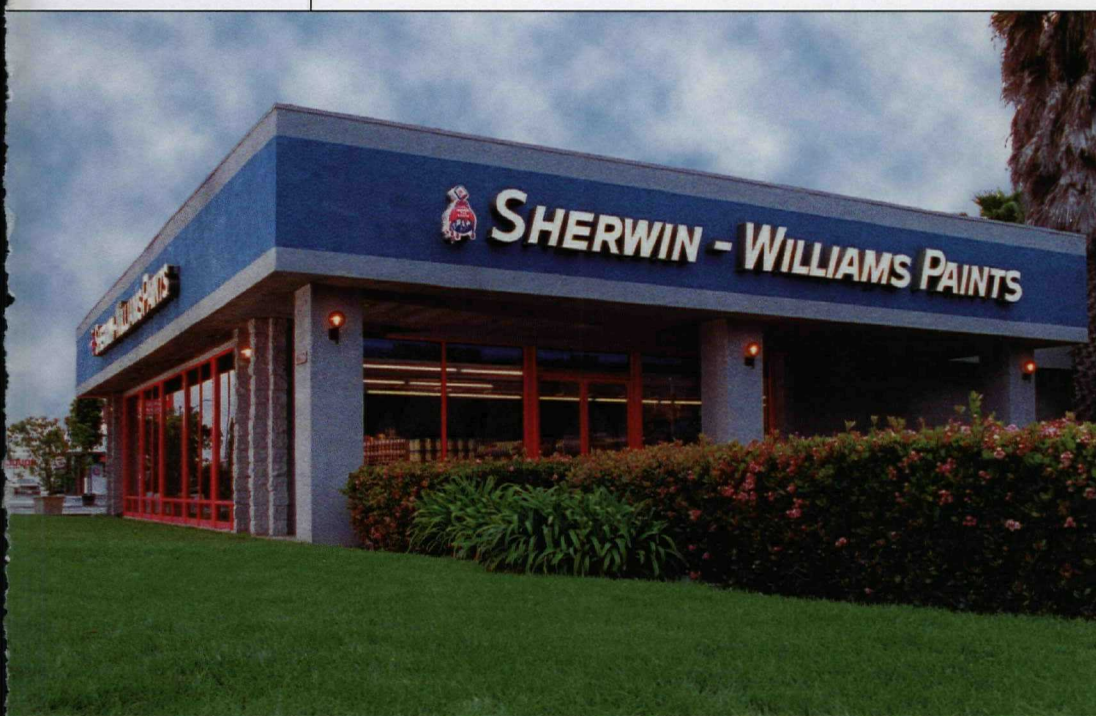
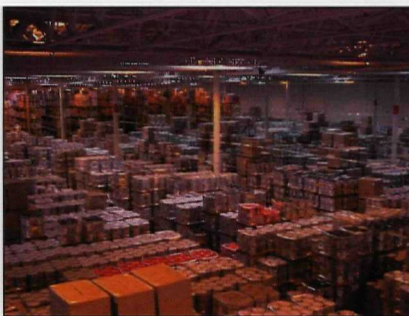
Our International Coatings Segment manufactures and distributes products through wholly-owned subsidiaries, joint ventures and licensing agreements, in addition to company-operated stores in Chile and Brazil.

Ensuring the timely and efficient delivery of so many products to so many outlets requires a very sophisticated distribution infrastructure. The hub of our distribution system in North America is a network of seven Distribution Service Centers (DSC), comprising nearly 4.4 million square feet. An advanced Automated Warehouse Control System (AWCS) uses radio frequency and barcode technology to track inventory movement through the DSCs. The system records the production, storage, order receipt, fulfillment and transportation of DSC inventory to internal and external customers throughout North America. Sherwin-Williams' dedicated fleet of tractor-trailers moves product from DSCs to retail outlets. This complex system helps efficiently manage our working capital, while ensuring our customers a ready supply of the products they need.

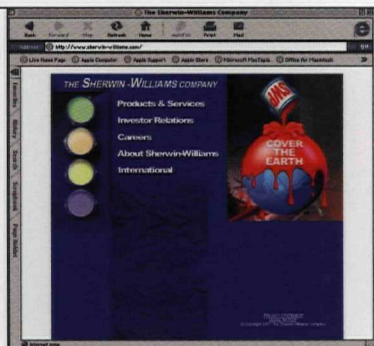


▲ IN SOUTH AMERICA, WE ARE AGGRESSIVELY EXPANDING OUR INDUSTRIAL MAINTENANCE AND CHEMICAL COATINGS BASE WITH SUMARE™, A CHAIN OF CHEMICAL COATINGS OUTLETS. SUMARE™ HAS HELPED US ESTABLISH CONTROLLED DISTRIBUTION, EVEN IN DEALER-DOMINATED MARKETS SUCH AS BRAZIL.

▼ OUR AUTOMATED WAREHOUSE CONTROL SYSTEM (AWCS) USES BARCODE TECHNOLOGY AND RADIO FREQUENCY TO TRACK THE MOVEMENT OF INVENTORY THROUGH OUR SEVEN NORTH AMERICAN DISTRIBUTION SERVICE CENTERS. THE SYSTEM HELPS US MANAGE WORKING CAPITAL MORE EFFICIENTLY BY MONITORING INVENTORY MOVEMENT AND MAXIMIZING WAREHOUSE PRODUCTIVITY AND STORAGE SPACE UTILIZATION.



▼ TODAY MORE THAN 90% OF THE US POPULATION LIVES WITHIN A 50-MILE RADIUS OF ONE OF OUR SHERWIN-WILLIAMS PAINT STORES. WE ARE COMMITTED TO EXPANDING THIS NETWORK OF COMPANY-OPERATED STORES TO PROVIDE DO-IT-YOURSELF CUSTOMERS AND PROFESSIONAL PAINTING CONTRACTORS THROUGHOUT NORTH AMERICA WITH CONVENIENT ACCESS TO SHERWIN-WILLIAMS® BRANDED PRODUCTS.



▼ SHERWIN-WILLIAMS' EXTENSIVE DISTRIBUTION NETWORK OF "BRICK AND MORTAR" OUTLETS IS NOW COMPLEMENTED BY VIRTUAL OUTLETS. LAST YEAR, OUR AUTOMOTIVE DIVISION OPENED E-STORE, AN ON-LINE OUTLET FOR A BROAD ASSORTMENT OF AUTOMOTIVE PRODUCTS. ALSO IN 2000, OUR PAINT STORES GROUP LAUNCHED SHER-LINK™, A SECURE SITE THAT OFFERS ON-LINE ACCESS TO SELECT USERS TO BROWSE, LEARN ABOUT AND PURCHASE SHERWIN-WILLIAMS® PRODUCTS.



▲ MORE THAN 600 QUALITY-CERTIFIED COLLISION REPAIR SHOPS ACROSS NORTH AMERICA HAVE BEEN ENROLLED IN OUR AUTOMOTIVE DIVISION'S A-Plus™ PROGRAM. THIS PROGRAM OFFERS MEMBERS VALUABLE SERVICES SUCH AS EMPLOYEE TRAINING, FACILITY DESIGN SERVICES, PRODUCT GUARANTEE PLANS AND PREFERRED CUSTOMER DISCOUNTS AT SHERWIN-WILLIAMS PAINT STORES.

ask.

Which markets represent growth opportunities for us?

One of Sherwin-Williams' foremost strengths is the diversity of our customer base. We supply coatings products to nearly every sector of the economy, from manufacturing, industrial, transportation and utilities, to healthcare, hospitality, commercial and residential construction, property management, institutional and government facilities and do-it-yourself consumers. In North America, South America and Europe, our products are sold under various brand names to commercial and do-it-yourself customers through company-operated outlets, independent distributors and dealers, home centers and mass merchandisers. We believe each of these markets represents a substantial growth opportunity for us.

Growing our business within each of these markets means focusing on the things that make each customer more successful. Highly differentiated products, like low-odor paints that allow a commercial contractor to work in an occupied office building with minimal disruption, or UV curable stains and topcoats that increase a cabinetmaker's throughput, help our customers improve their productivity. Licensed products, like our new Disney line, build demand for our products among current and future generations of homeowners.

Providing high-value products is only one way we're helping our customers to succeed. Focusing our organization to be more customer-responsive is another.

Through programs like our Automotive Division's A-Plus™ Club, we're growing customer loyalty by providing technical training and valuable marketing and business management services. We restructured our Consumer Group into three smaller, more manageable business units to sharpen our customer focus and improve our account service across major product categories. And we will continue to expand our network of company-operated stores in North America to provide more customers with convenient access to our products and more responsive service.



▲ SHERWIN-WILLIAMS' AUTOMOTIVE DIVISION TRAINED MORE THAN 5,000 CUSTOMERS AND EMPLOYEES OVER THE PAST YEAR. SIX AUTOMOTIVE LEARNING CENTERS IN THE US, ONE IN BRAZIL AND ONE IN MEXICO OFFER CURRICULUM RANGING FROM COLOR MATCHING AND APPLYING PAINT, TO HIRING AND TRAINING THE RIGHT PEOPLE, TO SALESMANSHIP AND ESTIMATING.

► TO HELP OEM PRODUCT FINISHERS DEAL WITH EVER TIGHTENING ENVIRONMENTAL AND SAFETY REGULATIONS, SHERWIN-WILLIAMS DEVELOPED KEM AQUA® HYDRALON™ COATINGS. THIS ENVIRONMENTALLY COMPLIANT, WATER-BASED FINISH FOR METAL AND PLASTIC OUTPERFORMS MANY URETHANE COATINGS IN DURABILITY AND APPEARANCE.



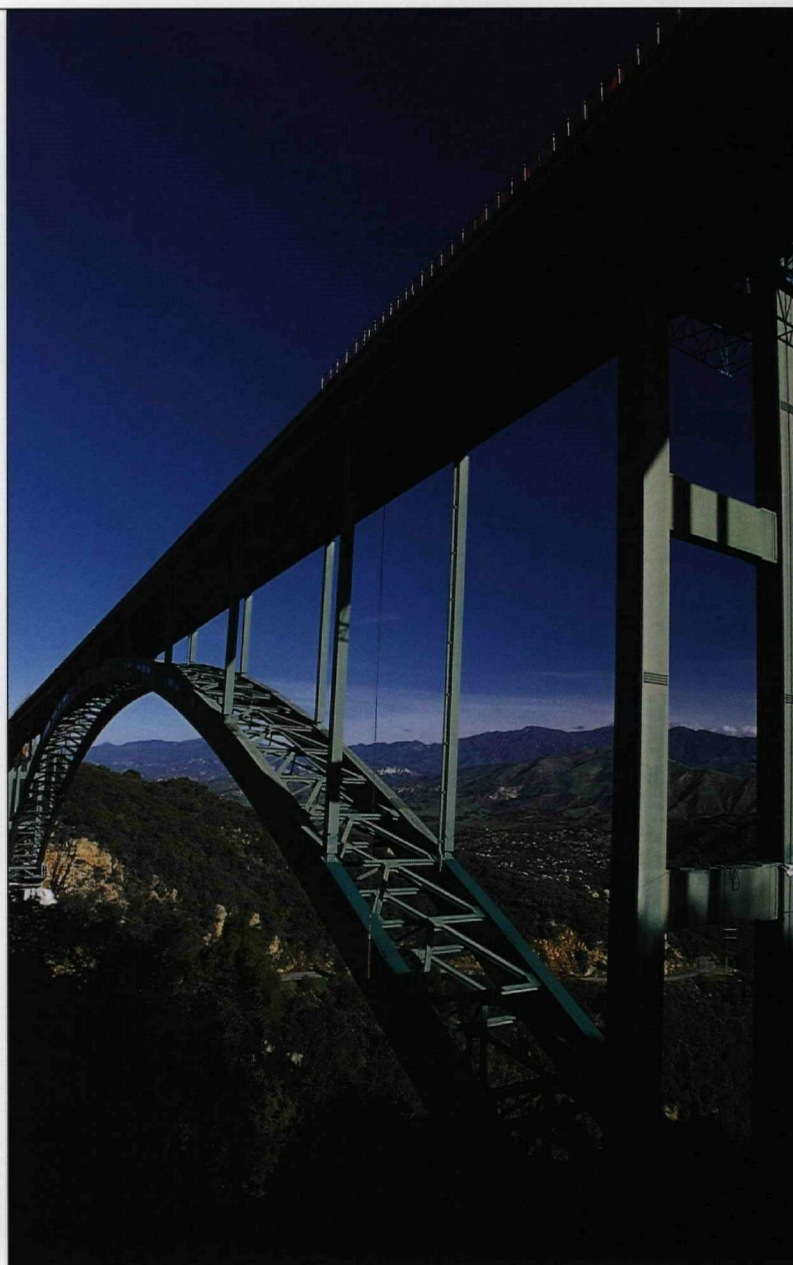


◀ IN SOUTH AMERICA, MASS MERCHANDISERS RELY ON PAINT MANUFACTURERS TO HIRE AND TRAIN "PROMOTERS" TO SELL THE ADVANTAGES OF THEIR PRODUCTS IN STORES. OUR STRONG COMMITMENT TO GROWTH IN THESE MARKETS IS REFLECTED IN OUR INTERNATIONAL DIVISION'S WORKFORCE OF MORE THAN 2,100 EMPLOYEES, WITH AN ANNUAL VOLUNTARY TURNOVER RATE OF LESS THAN ONE PERCENT.

▶ ALTHOUGH CHANGING DEMOGRAPHICS IN NORTH AMERICA ARE SHIFTING A GREATER SHARE OF RESIDENTIAL PAINTING AND DECORATING TO CONTRACTORS, MANY HOMEOWNERS STILL TAKE PRIDE AND SATISFACTION IN DOING IT THEMSELVES. WE HAVE BUILT OUR REPUTATION ON PROVIDING THE QUALITY, NAME BRAND PAINTS, STAINS AND DECORATIVE PRODUCTS, AND THE EXPERT ADVICE THEY NEED TO ACHIEVE BEAUTIFUL RESULTS.

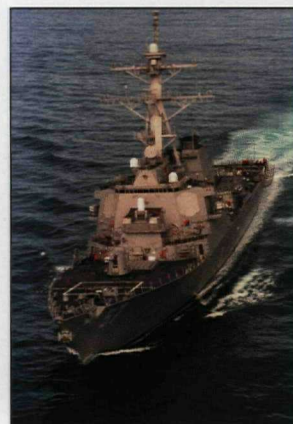


▶ WHEN PROPERTY AND FACILITY MANAGERS NEED TO TURN VACANT RENTAL PROPERTY FAST, OUR BROAD RANGE OF COATINGS, EQUIPMENT, SUNDRIES AND EXPERTISE, COMBINED WITH A NETWORK OF DEDICATED SHERWIN-WILLIAMS FLOORCOVERING CENTERS, MAKE US THE IDEAL SINGLE-SOURCE SOLUTION. PEOPLE KNOW US FOR HIGH QUALITY PAINT PRODUCTS, BUT WE ARE ALSO ONE OF THE LARGEST CARPET WHOLESALEERS IN NORTH AMERICA.



▶ A CHALLENGING WORK ENVIRONMENT — STRUCTURAL STEEL SPANNING 420 FEET ABOVE THE CANYON FLOOR — COMBINED WITH THE NATION'S STRICTEST ENVIRONMENTAL REGULATIONS, MADE COATING THE COLD SPRINGS CANYON BRIDGE IN CALIFORNIA DIFFICULT FOR EVEN THE MOST SEASONED INDUSTRIAL PAINTING CONTRACTOR. SHERWIN-WILLIAMS® ZINC CLAD XI WATER-BASED, LEAD-FREE COATING WAS SPECIFIED FOR ITS EASE OF APPLICATION, DURABILITY AND ENVIRONMENTAL COMPLIANCE.

▶ IN 2000, THE US NAVY APPROVED SHERWIN-WILLIAMS® NOVA-PLATE™ UHS, AN ULTRA-HIGH SOLIDS EPOXY PRIMER AND TOPCOAT SYSTEM SPECIFICALLY FORMULATED FOR IMMERSION SERVICE. THE MOST RECENT OF MANY SUCH SPECIFICATIONS, THIS APPROVAL FURTHER SOLIDIFIES OUR POSITION AS A LEADING SUPPLIER OF MARINE COATINGS TO THE US NAVY.



FINANCIAL SUMMARY

(Millions of Dollars Except Per Share Data)

	2000	1999	1998	1997	1996
Operations					
Net sales	\$ 5,212	\$ 5,004	\$ 4,934	\$ 4,881	\$ 4,133
Cost of goods sold	2,904	2,755	2,804	2,784	2,405
Selling and administrative expenses	1,740	1,673	1,598	1,574	1,309
Impairment of long-lived assets	352				
Interest expense	62	61	72	81	25
Income before income taxes	143	490	440	427	375
Net income	16	304	273	261	229
Net income before impairment (A)	310	304	273	261	229
Financial Position					
Inventories	\$ 704	\$ 703	\$ 683	\$ 722	\$ 643
Accounts receivable - net	594	606	605	546	452
Working capital	436	437	458	417	365
Property, plant and equipment - net	722	712	719	692	549
Total assets	3,751	4,033	4,051	4,036	2,995
Long-term debt	624	624	730	844	143
Total debt	750	747	848	1,005	313
Shareholders' equity	1,472	1,699	1,716	1,592	1,401
Per Share Data					
Average shares outstanding (ooo's) (B)	161,912	167,925	172,162	172,107	171,117
Book value	\$ 9.22	\$ 10.25	\$ 10.03	\$ 9.21	\$ 8.15
Net income before impairment - diluted (A)(B)	1.90	1.80	1.57	1.50	1.33
Net income - diluted (B) .....	.10	1.80	1.57	1.50	1.33
Net income - basic (B) .....	.10	1.81	1.58	1.51	1.34
Cash dividends .....	.54	.48	.45	.40	.35
Financial Ratios					
Return on sales (A)	5.9%	6.1%	5.5%	5.3%	5.5%
Asset turnover (A)	1.3x	1.2x	1.2x	1.2x	1.4x
Return on assets (A)	7.5%	7.5%	6.7%	6.5%	7.7%
Return on equity (A)(C)	18.2%	17.7%	17.1%	18.6%	18.9%
Dividend payout ratio (A)	28.5%	26.6%	28.5%	26.5%	26.2%
Total debt to capitalization	33.7%	30.5%	33.1%	38.7%	18.3%
Current ratio	1.4	1.4	1.4	1.4	1.3
Times interest earned (D)	9.0x	9.0x	7.1x	6.3x	16.3x
Working capital to sales	8.4%	8.7%	9.3%	8.5%	8.8%
Effective income tax rate (A)	37.5%	38.0%	38.0%	39.0%	39.0%
General					
Capital expenditures	\$ 133	\$ 134	\$ 146	\$ 164	\$ 123
Total technical expenditures (E)	84	78	73	63	53
Advertising expenditures	276	265	283	296	212
Repairs and maintenance	48	46	45	45	38
Depreciation	109	105	98	90	76
Amortization of intangible assets	51	50	50	49	27
Shareholders of record	10,813	11,475	11,929	11,964	11,933
Number of employees	26,095	25,697	24,822	24,964	20,768
Sales per employee (ooo's)	\$ 200	\$ 195	\$ 199	\$ 196	\$ 199
Sales per dollar of assets	1.39	1.24	1.22	1.21	1.38

(A) Based on net income before the impairment of long-lived assets charge in 2000, net of tax. See Note 2, page 28.

(B) Amounts reflect adoption of Statement of Financial Accounting Standards (SFAS) No. 128 effective December 31, 1997.

All average share and per share amounts shown for 1996 have been restated.

(C) Based on shareholders' equity at beginning of year and net income before impairment.

(D) Ratio of income before income taxes excluding the charge for impairment in 2000 and interest expense to interest expense.

(E) See Note 1, page 28, for a description of technical expenditures.

FINANCIAL CONDITION - 2000

Net operating cash flow generated by the Company during 2000 was \$461.1 million, while net proceeds from short-term borrowings were \$106.9 million. This cash flow provided the funds to invest in property, plant and equipment, reduce long-term debt, acquire treasury stock, increase the annual dividend, complete several acquisitions and make other long-term investments. The Company's current ratio increased to 1.39 at December 31, 2000 from 1.38 at the end of 1999. The Company's Consolidated Balance Sheets and Statements of Consolidated Cash Flows, on pages 24 and 25 of this report, provide more detailed information on the Company's financial position and cash flows.

Borrowings outstanding under the Company's commercial paper program are included in Short-term borrowings on the balance sheet. Such borrowings had a weighted-average interest rate of 6.6 percent. Borrowings under the commercial paper program are fully backed by and limited to the borrowing availability under the Company's revolving credit agreements which aggregated \$768.0 million effective January 3, 2001. The current portion of long-term debt decreased \$102.9 million due primarily to the payment of 6.5% notes totaling \$100.0 million during the first quarter of 2000. The \$19.4 million balance in Current portion of long-term debt at December 31, 2000 related to various promissory notes and other obligations. Increases and decreases in components of net working capital were primarily due to timing during 2000.

Deferred pension assets of \$364.4 million at December 31, 2000 represent the excess of the fair market value of the assets in the Company's defined benefit pension plans over the actuarially-determined projected benefit obligations. The 2000 increase in deferred pension assets of \$30.3 million represents primarily the recognition of the current year net pension credit, described in Note 6 on pages 29 to 31 of this report. The assumed discount rate used to compute the actuarial present value of projected benefit obligations was decreased from 7.25 percent to 7.00 percent at December 31, 2000 due to decreased rates of high-quality, long-term investments. The decrease in the

actual return on plan assets during 2000 was primarily the result of returns on equity investments that were below the assumed return of 8.5 percent.

Goodwill, which represents the excess of cost over the fair value of net assets acquired in purchase business combinations, decreased \$334.0 million in 2000. Intangible assets, which represent items such as trademarks and patents, decreased \$15.8 million in 2000. These decreases were due primarily to a total charge for the impairment of long-lived assets of \$352.0 million, of which \$342.5 million related to goodwill, as described in Note 2 on page 28 of this report. In addition, amortization expense of \$47.3 million and foreign currency translation adjustments decreased goodwill and intangible assets, offset by increases resulting from acquisitions completed in 2000. An increase in Other assets of \$53.3 million was primarily due to the capitalization of costs incurred, net of amortization, related to designing, developing, obtaining and implementing internal use software in accordance with Statement of Position 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use." Other long-term investments, related to certain marketing programs of the Company, also increased Other assets.

Net property, plant and equipment increased \$10.7 million to \$722.4 million at December 31, 2000. The increase results primarily from capital expenditures of \$132.8 million, partially offset by depreciation expense of \$108.9 million and a portion of the total charge for the impairment of long-lived assets. Provisions for disposition or retirement of certain assets and foreign currency translation adjustments further offset capital expenditures. Capital expenditures in 2000 represented primarily the costs of purchasing and remodeling the automotive technology center in Warrensville Heights, Ohio, upgrading information systems equipment, the capacity expansion or upgrade of manufacturing and distribution centers and costs related to opening new paint stores. Capital expenditures during 2000 in the Paint Stores Segment were primarily attributable to opening new paint stores and store relocations along with normal replacement and upgrading store equipment. Capital expenditures in the Consumer and

International Coatings Segments during 2000 were primarily related to capacity expansions, efficiency improvements in production facilities and information systems hardware. Capital expenditures during 2000 in the Automotive Finishes Segment primarily related to the purchase and remodeling of the automotive technology center, capacity expansions and equipment upgrades. In 2001, the Company expects that its most significant capital expenditures will relate to various capacity and productivity improvement projects at manufacturing facilities, continued new store openings, and new or upgraded information systems equipment. The Company does not anticipate the need for any specific long-term external financing to support these capital programs.

Long-term debt decreased during the year to \$623.6 million at December 31, 2000, resulting primarily from current debt maturities of \$19.4 million that were partially offset by increased debt associated with acquired companies. The Company expects to remain in a borrowing position throughout 2001.

The increase in the Company's long-term postretirement benefit liability occurred due to the excess of the net postretirement benefit expense over the costs for benefit claims incurred. The current portion of the accrued postretirement liability, amounting to \$13.2 million at December 31, 2000, is included in Other accruals. The assumed discount rate used to calculate the actuarial present value of the postretirement benefit obligations was decreased from 7.25 percent to 7.00 percent at December 31, 2000 due to the reduced rates of high-quality, long-term investments. The assumed health care cost trend rates, first established in 1992 during the adoption of SFAS No. 106, were revised during 2000 for years 2001 through 2009. The revised rates reflect escalating health care costs that continue to exceed the assumed cost trend rates. The trend rate for 2001 was revised from the previous 5.5 percent annual increase to a more representative 9.5 percent annual increase. The trend rate will decrease gradually to 5.5 percent in 2010 – the same trend rate as previously estimated for 2010. The net effect of these changes is expected to increase the net postretirement benefit expense approximately 15 percent for 2001 as the cumulative unrecognized net loss is above the threshold for required amortization. See Note 6, on

pages 29 to 31 of this report, for further information on the Company's postretirement benefit obligations.

Other long-term liabilities include accruals for environmental-related liabilities and other non-current items. The decrease of \$31.1 million in other long-term liabilities during 2000 primarily related to a reduction in certain tax liabilities resulting from timing items and to a decrease in the accrual for environmental-related liabilities. See Note 9, on page 32 of this report, for additional information concerning the Company's other long-term liabilities.

The Company's past operations included the manufacture and sale of lead pigments and lead-based paints. The Company, along with other companies, is a defendant in a number of legal proceedings, including purported class actions, separate actions brought by the State of Rhode Island, and actions brought by other governmental entities, arising from the manufacture and sale of lead pigments and lead-based paints. The plaintiffs are seeking recovery based upon various legal theories, including negligence, strict liability, breach of warranty, negligent misrepresentations and omissions, fraudulent misrepresentations and omissions, concert of action, civil conspiracy, violations of unfair trade practices and consumer protection laws, enterprise liability, market share liability, nuisance, unjust enrichment and other theories. The plaintiffs seek various damages and relief, including personal injury and property damage, costs relating to the detection and abatement of lead-based paint from buildings, costs associated with a public education campaign, medical monitoring costs and others. The Company believes that the litigation is without merit and is vigorously defending such litigation. Considering the Company's past operations relating to lead pigments and lead-based paints, it is possible that additional lead pigment and lead-based paint litigation may be filed against the Company based upon similar or different legal theories and seeking similar or different types of damages and relief.

Litigation is inherently subject to many uncertainties. Adverse court rulings or determinations of liability could affect the lead pigment and lead-based paint litigation against the Company and encourage an increase in the number and nature of future claims and proceedings. In

addition, from time to time, various legislation and administrative regulations have been enacted or proposed to impose obligations on present and former manufacturers of lead pigments and lead-based paints respecting asserted health concerns associated with such products and to overturn court decisions in which the Company and other manufacturers have been successful. Due to the uncertainties involved, management is unable to predict the outcome of such litigation or the number or nature of possible future claims and proceedings, or the affect of any such legislation and administrative regulations. In addition, management cannot reasonably determine the scope or amount of the potential costs and liabilities related to such litigation, or such legislation and regulations. The Company has not accrued any amounts for such litigation. Any potential liability that may result from such litigation or such legislation and regulations cannot reasonably be estimated. However, based upon, among other things, the outcome of such litigation to date, management does not currently believe that the costs or potential liability ultimately determined to be attributable to the Company arising out of such litigation will have a material adverse effect on the Company's results of operations, liquidity or financial condition.

The operations of the Company, like those of other companies in our industry, are subject to various federal, state and local environmental laws and regulations. These laws and regulations not only govern our current operations and products, but also impose potential liability on the Company for past operations which were conducted utilizing practices and procedures that were considered acceptable under the laws and regulations existing at that time. The Company expects environmental laws and regulations to impose increasingly stringent requirements upon the Company and our industry in the future. The Company believes that it conducts its operations in compliance with applicable environmental laws and regulations and has implemented various programs designed to protect the environment and promote continued compliance.

Depreciation of capital expenditures and other expenses related to ongoing environmental compliance measures are included in the normal operating expenses of conducting business. The Company's

capital expenditures, depreciation and other expenses related to ongoing environmental compliance measures were not material to the Company's financial condition, results of operations or liquidity during 2000, and the Company does not expect that such capital expenditures and other expenses will be material to the Company's financial condition, results of operations or liquidity in 2001.

The Company is involved with environmental compliance, investigation and remediation activities at some of its current and former sites (including former sites which were previously owned and/or operated by businesses acquired by the Company). The Company, together with other parties, has also been designated a potentially responsible party under federal and state environmental protection laws for the investigation and remediation of environmental contamination and hazardous waste at a number of third-party sites, primarily Superfund sites. The Company may be similarly designated with respect to additional third-party sites in the future.

The Company accrues for environmental-related activities relating to its past operations and third-party sites, including Superfund sites, for which commitments or clean-up plans have been developed and for which costs can be reasonably estimated. These estimated costs are determined based on currently available facts regarding each site. The Company continuously assesses its potential liability for investigation and remediation-related activities and adjusts its environmental-related accruals as information becomes available upon which more accurate costs can be reasonably estimated and as additional accounting guidelines are issued which require changing the estimated costs or the procedure utilized in estimating such costs. Actual costs incurred may vary from these estimates due to the inherent uncertainties involved including, among others, the number and financial condition of parties involved with respect to any given site, the volumetric contribution which may be attributed to the Company relative to that attributed to other parties, the nature and magnitude of the wastes involved, the various technologies that can be used for remediation and the determination of acceptable remediation with respect to a particular site. The Company's environmental-related contingencies are

expected to be resolved over an extended period of time.

Pursuant to a Consent Decree entered into with the United States of America in 1997, on behalf of the Environmental Protection Agency, filed in the United States District Court for the Northern District of Illinois, the Company has agreed, in part, to (i) conduct an investigation at its southeast Chicago, Illinois facility to determine the nature, extent and potential impact, if any, of environmental contamination at the facility and (ii) implement remedial action measures, if required, to address any environmental contamination identified pursuant to the investigation. While the Company continues to investigate this site, certain initial remedial actions have occurred at this site.

In 1999, the Company entered into a settlement agreement with PMC, Inc. settling a lawsuit brought by PMC regarding the Company's former manufacturing facility in Chicago, Illinois which was sold to PMC in 1985. Pursuant to the terms of the settlement agreement, the Company agreed, in part, to investigate and remediate, as necessary, certain soil and/or groundwater contamination caused by historical disposals, discharges, releases and/or events occurring at this facility. In 2000, the Company entered into a Consent Decree with the People of the State of Illinois settling an action brought by the State of Illinois against the Company regarding the PMC facility. Under the Consent Decree, the Company agreed, in part, to investigate and remediate, as necessary, certain soil and/or groundwater contamination caused by historical disposals, discharges, releases and/or events occurring at this facility. The Company is currently conducting its investigation of this facility.

With respect to the Company's southeast Chicago, Illinois facility and the PMC facility, the Company has evaluated its potential liability and, based upon its investigations to date, has accrued appropriate amounts. However, due to the uncertainties surrounding these facilities, the Company's ultimate liability may result in costs that are significantly higher than currently accrued. In such event, the recording of the liability may result in a material impact on net income for the annual or interim period during which the additional costs are accrued. The Company expects

the contingent liabilities related to these facilities to be resolved over an extended period of time.

The Company does not believe that any potential liability ultimately attributed to the Company for its environmental-related matters will have a material adverse effect on the Company's financial condition, liquidity, cash flow or, except as set forth in the preceding paragraph, net income. See Note 9, on page 32 of this report, for discussion of the environmental-related accruals included in the Company's Consolidated Balance Sheets.

Shareholders' equity decreased \$226.7 million during 2000 to \$1,471.9 million due primarily to the purchase of 6,800,000 shares of Company stock for treasury at a cost of \$146.9 million. The Company acquires its own stock for general corporate purposes and, depending on its future cash position and market conditions, it may acquire additional shares in the future. The Company had remaining authorization at December 31, 2000 to purchase 13,200,000 shares of its common stock. Also contributing to the decrease in shareholders' equity were cash dividends paid of \$88.1 million and other comprehensive losses related to foreign currency translations of \$18.0 million. These decreases were partially offset by current year net income of \$16.0 million.

Comprehensive loss is comprised of net income and the components of other comprehensive income or loss including foreign currency translation adjustments. The 2000 increase of \$18.0 million in Cumulative other comprehensive loss was attributed to weakness in several foreign operation's functional currencies, while the 1999 increase of \$100.7 million occurred primarily due to the devaluation of the Brazilian real. In January 1999, the Brazilian Central Bank eliminated its governmental policy of supporting and tightly managing the trading band of the real and allowed it to trade freely in the open market against other currencies. Shortly after this announcement, the Brazilian real weakened significantly in trading with the U.S. dollar and other foreign currencies and has only partially recovered since that time. As a result of the floating exchange rate of certain foreign currencies, the Company believes it may experience continuing losses from foreign currency translation. The Company does

not expect any devaluation or other currency translation losses to have a material adverse effect on the Company's financial condition, results of operations or cash flows. See Note 16, on page 35 of this report.

The Company is exposed to market risk through various financial instruments, including fixed rate debt instruments. The Company does not believe that any potential loss related to these financial instruments will have a material adverse effect on the Company's financial condition, results of operations or cash flows.

The 2000 annual dividend of \$.54 per share approximated our payout ratio target of 30.0 percent of the prior year's earnings. This annual dividend represented the twenty-first consecutive year that the dividend has increased and a compounded annual rate of increase of 24.5 percent since the dividend was reinstated in the fourth quarter of 1979. At a meeting held on February 7, 2001, the Board of Directors increased the quarterly dividend to \$.145 per share.

RESULTS OF OPERATIONS - 2000 vs 1999

Consolidated net sales increased 4.2 percent to \$5.2 billion in 2000, primarily due to increased sales in the Paint Stores, Automotive Finishes and International Coatings Segments that were partially offset by decreased sales in the Consumer Segment.

Net external sales in the Paint Stores Segment during 2000 increased 6.1 percent to \$3.2 billion as higher volume sales of paint products outpaced increases in the stores' other product lines (wallcoverings, floorcoverings, spray equipment and associated products) with sales to professional painters and industrial users showing the greatest gains. Comparable-store sales increased 3.7 percent in 2000. This Segment ended 2000 with 2,488 stores in operation compared to 2,396 stores in operation at the end of the prior year. It is the objective of the Paint Stores Segment to expand its store base an average of three percent each year. In 2000, the Segment added 92 net new stores and expects to add 65 to 70 net new stores in 2001.

External sales in the Consumer Segment decreased 0.4 percent during 2000 to \$1.2 billion primarily due to a sluggish domestic do-it-yourself market. New product

launches, sales to new customers and increased sales to certain existing customers could not offset the effects of the sluggish retail market. The Company expects that additional Consumer Segment sales in 2001 from new product introductions, expansion of its presence at certain retailers and new customer accounts will not be sufficient to offset the effects of lost business and customer accounts in 2000. In addition, a sluggish domestic do-it-yourself market is expected to continue through at least the first half of 2001 and adversely impact year-over-year sales comparisons with 2000.

External sales in the Automotive Finishes Segment increased 4.8 percent during 2000 to \$493.4 million due primarily to the sales of vehicle refinish products. The soft fourth quarter domestic economy negatively impacted this Segment's OEM sales. The Company expects that sales from new product and color introductions, a stronger vehicle refinish market and an increase in the number of automotive branches will result in a sales increase for this Segment in 2001.

External sales in the International Coatings Segment increased 2.6 percent to \$307.0 million due primarily to increased gallons sold. Sales in local currencies were up 6.5 percent, while U.S. dollar comparisons were affected by currency conversions. Net sales for the year continued to be impacted by a shift in sales to lower priced products and competitive pricing due to poor market conditions in South America, particularly in Argentina. The Company expects to realize sales improvements in the International Coatings Segment in 2001 as economic conditions are expected to improve in most South American countries in which we operate.

Consolidated gross profit as a percent of sales decreased to 44.3 percent from 44.9 percent in 1999. The Company's gross profit margin was impacted by raw material cost increases, inflated energy costs and higher distribution costs. The Paint Stores Segment's 2000 gross profit margin was slightly higher than last year primarily due to increased paint volume sales, a favorable product sales mix and selective selling price increases. Gross profit margin in the Consumer Segment was lower than last year as competitive pricing pressures prohibited selling price increases sufficient to offset increased raw material costs and higher distribution costs. In addition, costs associated with

new product launches and new customer start-ups could not be offset by volume related manufacturing efficiencies and certain cost reductions. Gross profit margin decreased in the Automotive Finishes Segment and was also unfavorably impacted by increased raw material costs. Gross profit margin in the International Coatings Segment decreased primarily due to price competition, increased raw material costs and an unfavorable product sales mix to lower margin products.

Consolidated selling, general and administrative (SG&A) expenses remained flat as a percent of sales at 33.4 percent. Increased expenses in 2000 related to new store openings, new products, new customers and the consolidation of two research facilities and division administrative functions into the automotive technology center. Offsetting these increased expenses was the reduction in costs in 2000 due to the completion in 1999 of the Company's Year 2000 compliance project. The Paint Stores Segment's SG&A ratio was slightly unfavorable compared to last year primarily due to increased expenses related to 92 net new store openings. The Paint Stores Segment continued its investment in expanding its business in spite of the soft domestic economy during the latter part of the year. A slightly favorable SG&A ratio in the Consumer Segment for 2000 as compared to last year was primarily a result of certain administrative cost reductions partially offset by decreased sales and increased costs of new product launches and new customer start-ups. The Automotive Finishes Segment's SG&A ratio was also slightly favorable compared to last year primarily due to higher sales volume partially offset by severance and moving costs associated with the consolidation of the Segment's research and administrative functions into the newly purchased automotive technology center. The International Coatings Segment's SG&A ratio was unfavorable primarily due to higher commissions in Brazil relating to increased sales, partially offset by overall sales increases.

During the fourth quarter of 2000, the Company recognized an asset impairment charge of \$352.0 million (\$293.6 million after-tax or \$1.80 per diluted share) in the Consumer Segment to reduce the carrying values of certain long-lived assets, primarily goodwill, to their estimated fair values. Cash flow in 2000 was not affected by this accounting charge which is more fully

described in Note 2 on page 28 of this report.

Accordingly, consolidated segment operating profit for the year was reduced to 2.8 percent of sales compared to 9.8 percent of sales in 1999. Excluding the asset impairment charge, consolidated segment operating profit increased 1.1 percent but declined as a percent of sales to 9.5 percent from 9.8 percent last year. Segment operating profit of the Paint Stores Segment increased 9.2 percent to 12.9 percent of sales, as increased paint volume sales, a favorable product mix and selective selling price increases more than offset increased expenses related to new store openings. The Consumer Segment's operating profit, excluding the effects of the asset impairment charge, declined 8.0 percent primarily due to competitive pricing pressures that did not allow recovery of all increased raw material costs and higher distribution costs. Segment operating profit of the Automotive Finishes Segment decreased \$5.3 million or 7.9 percent primarily due to increased raw material costs and a \$6.8 million provision for the disposition of two research centers idled by the consolidation into the new automotive technology center. See Note 5, on page 29 of this report, for additional disposition and termination of operations information. Segment operating profit of the International Coatings Segment decreased to \$17.7 million from \$33.9 million last year primarily due to increased price competition, increased raw material costs and an unfavorable product sales mix to lower margin products. There are certain risks in transacting business internationally, such as changes in applicable laws and regulatory requirements, political instability, general economic and labor conditions, fluctuations in currency exchange rates and expatriation restrictions, which could adversely affect the financial condition or results of operation of the Company's consolidated foreign subsidiaries. Corporate expenses decreased in 2000 primarily due to the reduction in certain information systems expenses, including the completion of the Company's Year 2000 compliance project in 1999, partially offset by increased interest expense and certain unallocated employee benefit expenses. Refer to Note 17, on pages 35 through 37 of this report, for additional reportable segment information.

Interest expense increased slightly in 2000 primarily due to higher average short-term debt outstanding and

rates, partially offset by lower average long-term debt outstanding. As a result, interest coverage, excluding the effects of the asset impairment charge, remained unchanged from 1999 at 9.0 times. Interest coverage in 2000, after recording the effects of the asset impairment charge, decreased to 3.3 times. Fixed charge coverage, excluding the effects of the asset impairment charge, which is calculated using interest and rent expense, decreased to 4.5 times from 5.8 times in 1999. Fixed charge coverage in 2000, after recording the effects of the asset impairment charge, was 1.2 times.

Interest and net investment income decreased in 2000 primarily due to lower average cash and short-term investment balances, partially offset by higher average yields. See Note 4, on page 29 of this report, for further detail on Other expense - net. As shown in Note 13, on page 34 of this report, the effective income tax rate was 88.9 percent in 2000 due to the effect of a portion of the asset impairment charge that was not deductible for tax purposes. Excluding the effects of the asset impairment charge, the effective tax rate declined to 37.5 percent from 38.0 percent in 1999.

Net income decreased in 2000 to \$16.0 million from \$303.9 million in 1999 due primarily to the effects of the asset impairment charge. Net income per share-diluted was reduced to \$.10 per share from \$1.80 last year. See Note 15, on page 35 of this report, for detailed computations. Excluding the effects of the asset impairment charge, net income for 2000 increased 1.9 percent to \$309.7 million, and net income per share increased 5.6 percent to \$1.90 per diluted share.

RESULTS OF OPERATIONS - 1999 vs 1998

Consolidated net sales increased 1.4 percent to \$5.0 billion in 1999, primarily due to increased sales in the Paint Stores Segment which were partially offset by decreased sales in each of the other reportable segments.

Net external sales in the Paint Stores Segment during 1999 increased 6.3 percent primarily due to higher volume sales of paint products, combined with sales gains in each of the remaining major product lines (wallcoverings, floorcoverings, spray equipment and associated products). Comparable-store sales increased

4.0 percent in 1999. The Company launched its web site, "www.sherwin-williams.com" in 1999. A portion of the web site provides Paint Stores Segment customers, painting contractors, and others with product information and store locations along with do-it-yourself instruction.

External sales in the Consumer Segment decreased 4.5 percent during 1999 primarily due to the bankruptcy and subsequent liquidation of a large retail customer, the anticipated sales losses due to the closing of a Cleaning Solutions plant in the fourth quarter of 1998, and slow do-it-yourself coatings sales at certain customers.

External sales in the Automotive Finishes Segment declined 0.6 percent. The sales decrease in this Segment was primarily due to the effects of foreign currency translation losses and, to a lesser extent, a soft domestic automotive refinish market.

External sales in the International Coatings Segment declined 14.0 percent. Sales declines in the International Coatings Segment resulted primarily from the first quarter 1999 devaluation of the Brazilian real and continuing poor market conditions in South America. Gallons sold and sales in local currencies were up in most market areas.

Consolidated gross profit as a percent of sales increased to 44.9 percent from 43.2 percent in 1998. The Paint Stores Segment's 1999 gross profit margin was slightly higher than 1998 primarily due to a favorable product sales mix. Gross profit margin in the Consumer Segment was higher than 1998 as increased factory efficiencies and cost reductions associated with closing four manufacturing plants early in 1999 took effect. Gross profit margin in the Automotive Finishes Segment increased slightly due to product sales mix. Gross profit margin in the International Coatings Segment increased primarily due to increased factory efficiencies and cost reduction efforts.

SG&A expenses as a percent of sales increased to 33.4 percent in 1999 from 32.4 percent in 1998 resulting primarily from increased expenses related to new store openings, bad debts, certain employee benefits and information systems, partially offset by decreased SG&A expenses in the Consumer Segment primarily resulting from the consolidation of administrative functions of

four separate operating divisions into one. The Paint Stores Segment's SG&A ratio was slightly unfavorable compared to 1998 primarily due to increased expenses related to new store openings. A slightly unfavorable SG&A ratio in the Consumer Segment for 1999 as compared to 1998 was primarily a result of decreased sales and increased bad debt expense, partially offset by the consolidation of administrative functions. Automotive Finishes Segment's SG&A ratio was slightly unfavorable compared to 1998 primarily due to increases in bad debt expense and reduced sales volume. International Coatings Segment's SG&A ratio was unfavorable primarily due to reduced sales.

Consolidated operating profits increased 11.4 percent in 1999. Operating profits of the Paint Stores Segment increased 8.6 percent, primarily due to increased sales volume and gross profit margins. The Consumer Segment's operating profits were 23.7 percent higher than 1998 primarily due to decreased SG&A expenses and increased gross profit margins, partially offset by lower sales volume. Operating profits of the Automotive Finishes Segment increased 2.0 percent primarily due to increased gross profit margins, partially offset by slightly lower sales and increased SG&A expenses. Operating profits of the International Coatings Segment increased 40.3 percent primarily due to decreased foreign currency transaction losses associated with U.S. dollar denominated debt that was reduced and

improved gross profit margins, partially offset by decreased sales and increased SG&A expenses.

Corporate expenses increased in 1999 primarily due to the increase in certain unallocated employee benefit and information systems expenses, partially offset by decreased interest expense. Additionally, the 1998 Corporate expenses included a net gain related to the sale of the Company's joint venture interest in American Standox, Inc.

Interest expense decreased in 1999 primarily due to lower average outstanding debt balances. As a result, interest coverage increased to 9.0 times from 7.1 times in 1998. Fixed charge coverage, which is calculated using interest and rent expense, increased to 3.7 times from 3.3 times in 1998.

Interest and net investment income decreased in 1999 primarily due lower average yields, partially offset by slightly higher average cash and short-term investment balances. See Note 4, on page 29 of this report, for further detail on Other expense - net. As shown in Note 13, on page 34 of this report, the effective income tax rate in 1999 remained unchanged from 1998 at 38 percent.

Net income increased 11.4 percent in 1999 to \$303.9 million from \$272.9 million in 1998. Net income per share-diluted increased 14.6 percent to \$1.80 from \$1.57. See Note 15, on page 35 of this report for detailed computations.

REPORT OF MANAGEMENT

Shareholders

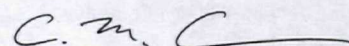
The Sherwin-Williams Company

We have prepared the accompanying consolidated financial statements and related information included herein for the years ended December 31, 2000, 1999 and 1998. The primary responsibility for the integrity of the financial information rests with management. This information is prepared in accordance with accounting principles generally accepted in the United States, based upon our best estimates and judgments and giving due consideration to materiality.

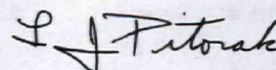
The Company maintains accounting and control systems which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and which produce records adequate for preparation of

financial information. There are limits inherent in all systems of internal control based on the recognition that the cost of such systems should not exceed the benefits to be derived. We believe our systems provide this appropriate balance.

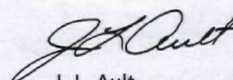
The Board of Directors pursues its responsibility for these financial statements through the Audit Committee, composed exclusively of independent directors. The Committee meets periodically with management, internal auditors and our independent auditors to discuss the adequacy of financial controls, the quality of financial reporting and the nature, extent and results of the audit effort. Both the internal auditors and independent auditors have private and confidential access to the Audit Committee at all times.



C. M. Connor
Chairman and Chief
Executive Officer



L. J. Pitorak
Senior Vice President - Finance,
Treasurer and Chief Financial
Officer



J. L. Ault
Vice President -
Corporate Controller

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Letter to Shareholders," and elsewhere in this report constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are based upon management's current expectations, estimates, assumptions and beliefs concerning future events and conditions and may discuss, among other things, anticipated future performance (including sales and earnings), expected growth and future business plans. Any statement that is not historical in nature is a forward-looking statement and may be identified by the use of words and phrases such as "expects," "anticipates," "believes," "will likely result," "will continue," "plans to," and similar expressions. Readers are cautioned not to place undue reliance on any forward-looking statements. Forward-looking statements are necessarily subject to

risks, uncertainties and other factors, many of which are outside the control of the Company, that could cause actual results to differ materially from such statements. These risks, uncertainties and other factors include such things as: general business conditions, strengths of retail economies and the growth in the coatings industry; competitive factors, including pricing pressures and product innovation and quality; changes in raw material availability and pricing; changes in the Company's relationships with customers and suppliers; the ability of the Company to successfully integrate past and future acquisitions into its existing operations, as well as the performance of the businesses acquired; the ability of the Company to successfully complete planned divestitures; changes in general domestic economic conditions such as inflation rates, interest rates and tax rates; risk and uncertainties associated with the Company's expansion into foreign markets, including inflation rates, recessions, foreign currency exchange rates, foreign

investment and repatriation restrictions and other external economic and political factors; the achievement of growth in developing markets, such as Mexico and South America; increasingly stringent domestic and foreign governmental regulations including those affecting the environment; inherent uncertainties involved in assessing the Company's potential liability for environmental remediation-related activities; the nature, cost, quantity and outcome of pending and future litigation and other claims, including the lead pigment and lead-based paint litigation and the affect of any legislation and administrative regulations relating thereto; and unusual weather conditions.

Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

REPORT OF INDEPENDENT AUDITORS

Shareholders and Board of Directors
The Sherwin-Williams Company
Cleveland, Ohio

We have audited the accompanying consolidated balance sheets of The Sherwin-Williams Company and subsidiaries as of December 31, 2000, 1999 and 1998, and the related statements of consolidated income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Sherwin-Williams Company and subsidiaries at December 31, 2000, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

Cleveland, Ohio
January 26, 2001

STATEMENTS OF CONSOLIDATED INCOME

(Thousands of Dollars Except Per Share Data)

	Year ended December 31,		
	2000	1999	1998
Net sales	\$ 5,211,624	\$ 5,003,837	\$ 4,934,430
Cost of goods sold	2,904,013	2,755,323	2,804,459
Gross profit	2,307,611	2,248,514	2,129,971
<i>Percent to net sales</i>	44.3%	44.9%	43.2%
Selling, general and administrative expenses	1,740,367	1,673,449	1,598,333
<i>Percent to net sales</i>	33.4%	33.4%	32.4%
Impairment of long-lived assets	352,040		
Operating income	215,204	575,065	531,638
<i>Percent to net sales</i>	4.1%	11.5%	10.8%
Interest expense	62,026	61,168	71,971
Interest and net investment income	(4,981)	(5,761)	(6,482)
Other expense - net	14,753	29,540	26,046
Income before income taxes	143,406	490,118	440,103
Income taxes	127,380	186,258	167,239
Net income	\$ 16,026	\$ 303,860	\$ 272,864
Net income per share:			
Basic	\$.10	\$ 1.81	\$ 1.58
Diluted	\$.10	\$ 1.80	\$ 1.57

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(Thousands of Dollars)

Assets	December 31,		
	2000	1999	1998
Current assets:			
Cash and cash equivalents	\$ 2,896	\$ 18,623	\$ 19,133
Accounts receivable, less allowance	594,162	606,046	604,516
Inventories:			
Finished goods	597,472	591,912	568,328
Work in process and raw materials	106,255	111,476	114,195
	703,727	703,388	682,523
Deferred income taxes	104,662	108,899	102,818
Other current assets	146,092	141,143	123,398
Total current assets	1,551,539	1,578,099	1,532,388
Goodwill	705,547	1,039,555	1,123,128
Intangible assets	259,085	274,924	291,715
Deferred pension assets	364,351	334,094	304,006
Other assets	147,769	94,464	80,466
Property, plant and equipment:			
Land	65,546	62,517	67,567
Buildings	431,524	431,802	422,902
Machinery and equipment	980,560	913,346	906,501
Construction in progress	52,779	40,262	43,274
	1,530,409	1,447,927	1,440,244
Less allowances for depreciation	808,030	736,251	721,387
	722,379	711,676	718,857
Total Assets	\$ 3,750,670	\$ 4,032,812	\$ 4,050,560
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term borrowings	\$ 106,854		
Accounts payable	448,799	\$ 458,919	\$ 408,144
Compensation and taxes withheld	137,211	140,934	125,698
Current portion of long-term debt	19,376	122,277	118,184
Other accruals	328,435	333,363	345,191
Accrued taxes	74,568	85,396	76,804
Total current liabilities	1,115,243	1,140,889	1,074,021
Long-term debt	623,587	624,365	730,283
Postretirement benefits other than pensions	208,673	206,591	204,763
Other long-term liabilities	331,303	362,435	325,553
Shareholders' equity:			
Common stock - \$1.00 par value: 159,558,335, 165,663,601 and 171,033,231 shares outstanding at December 31, 2000, 1999 and 1998, respectively	206,848	206,309	205,701
Other capital	158,650	150,887	143,686
Retained earnings	1,948,753	2,020,851	1,797,945
Treasury stock, at cost	(678,778)	(533,891)	(386,465)
Cumulative other comprehensive loss	(163,609)	(145,624)	(44,927)
Total shareholders' equity	1,471,864	1,698,532	1,715,940
Total Liabilities and Shareholders' Equity	\$ 3,750,670	\$ 4,032,812	\$ 4,050,560

See notes to consolidated financial statements.

STATEMENTS OF CONSOLIDATED CASH FLOWS

(Thousands of Dollars)

	Year ended December 31,		
	2000	1999	1998
Operating Activities			
Net income	\$ 16,026	\$ 303,860	\$ 272,864
Adjustments to reconcile net income to net operating cash:			
Impairment of long-lived assets	352,040		
Depreciation	108,906	105,350	97,821
Deferred income taxes	(26,886)	21,170	30,557
Provisions for disposition of operations	8,023	7,640	23,557
Provisions for environmental-related matters		16,334	4,295
Amortization of intangible assets	51,124	50,394	50,067
Defined benefit pension plans net credit	(29,629)	(28,083)	(30,851)
Net increase in postretirement liability	3,682	3,428	5,424
Foreign currency transaction losses	2,115	3,333	11,773
Other	7,744	13,594	554
Change in working capital accounts:			
Decrease (increase) in accounts receivable	21,264	(28,212)	(65,679)
Decrease (increase) in inventories	6,188	(24,420)	35,130
(Decrease) increase in accounts payable	(21,790)	60,487	(12,272)
(Decrease) increase in accrued taxes	(11,744)	6,019	32,449
Other	(22,645)	3,650	35,175
Increase in long-term accrued taxes	10,005	15,715	8,211
Costs incurred for environmental-related matters	(9,105)	(15,808)	(14,275)
Costs incurred for disposition of operations	(6,173)	(15,529)	(5,322)
Other	1,963	(13,808)	(10,721)
Net operating cash	461,108	485,114	468,757
Investing Activities			
Capital expenditures	(132,778)	(134,171)	(146,129)
Acquisitions of businesses	(60,108)	(15,427)	
Increase in other investments	(51,163)	(23,435)	(19,281)
Other	(8,989)	9,111	6,478
Net investing cash	(253,038)	(163,922)	(158,932)
Financing Activities			
Net increase (decrease) in short-term borrowings	106,854		(106,913)
Increase in long-term debt	16,931		4,559
Payments of long-term debt	(120,316)	(102,046)	(54,673)
Payments of cash dividends	(88,124)	(80,954)	(77,801)
Proceeds from stock options exercised	6,419	7,107	16,818
Treasury stock purchased	(146,857)	(145,806)	(83,791)
Other	1,662	2,791	7,579
Net financing cash	(223,431)	(318,908)	(294,222)
Effect of exchange rate changes on cash	(366)	(2,794)	
Net (decrease) increase in cash and cash equivalents	(15,727)	(510)	15,603
Cash and cash equivalents at beginning of year	18,623	19,133	3,530
Cash and cash equivalents at end of year	\$ 2,896	\$ 18,623	\$ 19,133
Taxes paid on income	\$ 156,514	\$ 153,890	\$ 85,746
Interest paid on debt	64,400	61,868	71,970

See notes to consolidated financial statements.

STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

(Thousands of Dollars Except Per Share Data)

	Common Stock	Other Capital	Retained Earnings	Treasury Stock	Cumulative Other Comprehensive Loss	Total
Balance at January 1, 1998	\$ 204,538	\$ 119,695	\$ 1,602,882	\$ (301,418)	\$ (33,517)	\$ 1,592,180
Comprehensive income:						
Net income			272,864			272,864
Other comprehensive loss					(11,410)	(11,410)
Comprehensive income						261,454
Treasury stock purchased				(83,791)		(83,791)
Stock issued (tendered)						
for exercise of options	1,201	23,103		(1,256)		23,048
Restricted stock grants (net activity)	(38)	2,128				2,090
Stock acquired for trust		(1,240)				(1,240)
Cash dividends -- \$.45 per share			(77,801)			(77,801)
Balance at December 31, 1998	205,701	143,686	1,797,945	(386,465)	(44,927)	1,715,940
Comprehensive income:						
Net income			303,860			303,860
Other comprehensive loss					(100,697)	(100,697)
Comprehensive income						203,163
Treasury stock purchased				(145,806)		(145,806)
Stock issued (tendered)						
for exercise of options	463	8,597		(252)		8,808
Stock tendered in connection						
with restricted stock grants				(1,368)		(1,368)
Restricted stock grants (net activity)	145	(69)				76
Stock acquired for trust		(1,327)				(1,327)
Cash dividends -- \$.48 per share			(80,954)			(80,954)
Balance at December 31, 1999	206,309	150,887	2,020,851	(533,891)	(145,624)	1,698,532
Comprehensive income:						
Net income			16,026			16,026
Other comprehensive loss					(17,985)	(17,985)
Comprehensive loss						(1,959)
Treasury stock purchased				(146,857)		(146,857)
Stock issued (tendered)						
for exercise of options	534	8,121		(192)		8,463
Stock tendered in connection						
with restricted stock grants				(173)		(173)
Restricted stock grants (net activity)	5	3,176				3,181
Stock acquired for trust		(1,199)				(1,199)
Treasury stock transferred to trust		(2,335)		2,335		
Cash dividends -- \$.54 per share			(88,124)			(88,124)
Balance at December 31, 2000	<u>\$ 206,848</u>	<u>\$ 158,650</u>	<u>\$ 1,948,753</u>	<u>\$ (678,778)</u>	<u>\$ (163,609)</u>	<u>\$ 1,471,864</u>

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Dollars Unless Otherwise Indicated)

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES

Consolidation. The consolidated financial statements include all controlled subsidiaries. Inter-company accounts and transactions have been eliminated.

Use of estimates. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Nature of operations. The Company is engaged in the manufacture, distribution and sale of coatings and related products to professional, industrial, commercial and retail customers primarily in North and South America.

Reportable segments. See Note 17.

Cash flows. The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Fair value of financial instruments. The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents approximate fair value.

Short-term investments: The carrying amounts reported in the consolidated balance sheets for marketable debt and equity securities are based on quoted market prices and approximate fair value.

Investments in securities: The Company maintains certain long-term investments, classified as available for sale securities, in a fund to provide for payment of health care benefits of certain qualified employees. The estimated fair values of these securities, included in Other assets, of \$15,913, \$21,093, and \$25,523 at December 31, 2000, 1999, and 1998, respectively, are based on quoted market prices.

Long-term debt (including current portion): The fair values of the Company's publicly traded debentures, shown below, are based on quoted market prices. The fair values of the Company's non-traded debt, also shown below, are estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

	December 31,					
	2000		1999		1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Publicly traded debt	\$613,709	\$592,113	\$726,017	\$698,031	\$764,806	\$825,989
Non-traded debt	29,179	26,203	20,536	18,969	83,559	80,929

Interest rate swaps: The Company occasionally enters into interest rate swaps primarily to hedge against interest rate risks. These agreements generally involve the exchange of fixed and floating rate interest payment obligations without the exchange of the underlying principal amounts. Counterparties to these agreements are major financial institutions. Management believes the risk of incurring losses related to credit risk is remote. There were no interest rate swaps outstanding at December 31, 2000 and 1999.

Non-traded investments: It was not practicable to estimate the fair value of the Company's investment in certain non-traded investments because of the lack of quoted market prices and the inability to estimate fair values without incurring excessive costs. The carrying amounts, included in Other assets, of \$25,143, \$15,860, and \$20,034 at December 31, 2000, 1999, and 1998, respectively, represent the Company's best estimate of current economic values of these investments.

Investment in life insurance. The Company invests in broad-based corporate owned life insurance. The cash surrender values of the policies, net of policy loans, are included in Other assets. The net expense associated with such investment is included in Other expense - net. Such expense is immaterial to Income before income taxes.

Impairment of long-lived assets. The Company evaluates the recoverability of long-lived assets and the related estimated remaining lives at each balance sheet date. The Company records an impairment or change in useful life whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed in accordance with Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." See Note 2.

Goodwill. Goodwill represents the cost in excess of fair value of net assets acquired in business combinations accounted for by the purchase method and is amortized on a straight-line basis over the expected period of benefit ranging from 10 to 40 years. Accumulated amortization of goodwill was \$84,827, \$107,365 and \$78,983 at December 31, 2000, 1999, and 1998, respectively. See Note 2.

Intangibles. Intangible assets include non-compete covenants, operating rights, patents, and trademarks. These assets are amortized on a straight-line basis over the expected period of benefit ranging from 2 to 40 years. Accumulated amortization of intangible assets was \$129,320, \$119,125, and \$102,359 at December 31, 2000, 1999, and 1998, respectively.

Property, plant and equipment. Property, plant and equipment is stated on the basis of cost. Depreciation is provided principally by the straight-line method. The major classes of assets and ranges of depreciation rates are as follows:

Buildings	2% - 6-2/3%
Machinery and equipment	4% - 20%
Furniture and fixtures	5% - 33-1/3%
Automobiles and trucks	10% - 33-1/3%

Letters of credit. The Company occasionally enters into standby letter of credit agreements to guarantee various operating activities. These agreements, which expire in 2001, provide credit availability to the various beneficiaries if certain contractual events occur. Amounts outstanding under these agreements totaled \$12,230, \$14,177, and \$15,042 at December 31, 2000, 1999, and 1998, respectively.

Foreign currency translation. All consolidated non-highly inflationary foreign operations use the local currency of the country of operation as the functional currency and translate the local currency asset and liability accounts at year-end exchange rates while income and expense accounts are translated at average exchange rates. The resulting translation adjustments are included in Cumulative other comprehensive loss, a component of Shareholders' equity.

Revenue recognition. Substantially all revenues are recognized when products are shipped and title has passed to unaffiliated customers.

Technical expenditures. Total technical expenditures include research and development costs, quality control, product formulation expenditures and other similar items. Research and development costs included in technical expenditures were \$33,927, \$27,200, and \$23,955 for 2000, 1999, and 1998, respectively.

Advertising expenses. The cost of advertising is expensed as incurred. The Company incurred \$276,078, \$265,411, and \$282,817 in advertising costs during 2000, 1999, and 1998, respectively.

Environmental matters. Capital expenditures for ongoing environmental compliance measures are recorded in the consolidated balance sheets, and related expenses are included in the normal operating expenses of conducting business. The Company is involved with environmental compliance, investigation and remediation activities at some of its current and former sites and at a number of third-party sites. The Company accrues for certain environmental remediation-related activities for which commitments or clean-up plans have been developed and for which costs can be reasonably estimated. All accrued amounts are recorded on an undiscounted basis. Accrued environmental remediation-related expenses include direct costs of remediation and indirect costs related to the remediation effort, such as compensation and benefits for employees directly involved in the remediation activities and fees paid to outside engineering, consulting and law firms. See Notes 4 and 9.

Stock-based compensation. The Company uses the intrinsic value method of accounting for stock-based compensation in accordance with Accounting Principles Board Opinion (APBO) No. 25. See Note 12 for pro forma disclosure of net income and earnings per share under the fair value method of accounting for stock-based compensation as prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation."

Earnings per share. Basic net income per share is computed based on the weighted-average number of shares outstanding during the year. Diluted net income per share is computed based on the weighted-average number of shares outstanding plus all dilutive securities potentially outstanding during the year. See Note 15. All references to earnings or losses per share throughout this report are stated on a diluted per share basis unless otherwise indicated.

Impact of recently issued accounting standards. Financial Accounting Standards Board (FASB) SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, is effective for all fiscal years beginning after June 15, 2000. SFAS No. 133 requires all derivative instruments to be recorded as either assets or liabilities at fair value. Gains or losses resulting from changes in the values of those derivative instruments may be recognized immediately or deferred depending on the use of the derivative or whether it qualifies as a hedge. The Company will comply with the requirements of SFAS No. 133 beginning January 1, 2001, as required. The impact of complying with this statement is not expected to have a material effect on the Company's financial condition, results of operations or cash flows.

Reclassification. Certain amounts in the 1999 and 1998 consolidated financial statements have been reclassified to conform with the 2000 presentation.

NOTE 2-IMPAIRMENT OF LONG-LIVED ASSETS

During the fourth quarter of 2000, the Company recognized an impairment charge of \$352,040 (\$293,628 after tax or \$1.80 per share) to reduce the carrying values of certain long-lived assets to their estimated fair values. Charges of \$342,522 reduced goodwill while the remaining portion of the charge primarily reduced fixed assets. The impaired assets are part of the Consumer Segment related to the previous acquisitions of Thompson Minwax Holding Corp. and Pratt & Lambert United, Inc., and the assets of Sunshine Quality Products, Inc. and the Household and Professional Products Division of Grow Group, Inc. Current year losses, cash flow deficiencies and cash flow shortfalls from expectations indicated an impairment review was necessary. Undiscounted future cash flows estimated by management established that impairment existed at December 31, 2000. The amount of impairment was estimated using a discounted cash flow valuation technique incorporating a discount rate commensurate with the risks involved for each group of assets.

NOTE 3-INVENTORIES

Inventories are stated at the lower of cost or market. Cost is determined principally on the last-in, first-out (LIFO) method which provides a better matching of current costs and revenues in periods of inflation. The following presents the effect on inventories, net income and net income per share had the Company used the first-in, first-out (FIFO) inventory valuation adjusted for income taxes at the statutory rate and assuming no other adjustments. This information is presented to enable the reader to make comparisons with companies using the FIFO method of inventory valuation.

	2000	1999	1998
Percentage of total inventories on LIFO ..	89%	90%	91%
Excess of FIFO over LIFO	\$ 110,124	\$ 97,953	\$ 96,235
Increase (decrease) in net income			
due to LIFO	(7,916)	(894)	4,685
Increase (decrease) in net income			
per share due to LIFO	(.05)	(.01)	.03

NOTE 4 - OTHER EXPENSE - NET

A summary of significant items included in Other expense - net is as follows:

	2000	1999	1998
Dividend and royalty income	\$ (4,144)	\$ (4,692)	\$ (3,069)
Net expense of financing and investing activities.....	10,926	7,084	2,542
Provisions for environmental matters - net (see Note 9).....		15,402	695
Provisions for disposition and termination of operations (see Note 5)	6,968	3,830	12,290
Foreign currency exchange losses	2,115	3,333	11,773
Other (income) expense	(1,112)	4,583	1,815
	<u>\$ 14,753</u>	<u>\$ 29,540</u>	<u>\$ 26,046</u>

The net expense of financing and investing activities represents the net realized gains or losses from disposing of fixed assets, the net gain or loss associated with the investment in certain long-term asset funds, the net pre-tax expense associated with the Company's investment in broad-based corporate owned life insurance, other related fees and, in 1998, the net gain related to the sale of the Company's joint venture interest in American Standex, Inc.

The provisions for environmental matters represent the net charge necessary to record the most current estimates of potential costs of environmental remediation at current, former and third-party sites. See Note 9. The provision for 1998 was partially offset by settlements with certain insurance carriers totaling \$3,600.

The provisions for disposition and termination of operations reduce property, plant and equipment at closed facilities to estimated net realizable value and adjust previous provisions to current estimates as closure or disposition occurs. See Note 5.

NOTE 5 - DISPOSITION AND TERMINATION OF OPERATIONS

The Company is continually re-evaluating its operating facilities against its long-term strategic goals. Upon cessation of operations, a provision is made to reduce property, plant and equipment to its estimated net realizable value. The expense is included in Other expense - net. Similarly, provisions are made, and included in Cost of goods sold, to provide for all qualified exit costs such as lease cancellation penalties, post-closure rent expenses, incremental post-closure expenses and the estimated costs of employee terminations.

During 2000, provisions were made to reduce certain assets to their net realizable value for two research centers idled by the Automotive Finishes Segment, resulting from the consolidation of its research operations into a newly purchased facility, and for a

closed distribution center. Provisions were made for qualified exit costs associated with the shut down of these facilities, primarily incremental post-closure costs. In 1999, provisions were made to reduce certain assets to their net realizable value and to accrue qualified exit costs for two idle manufacturing facilities and a leased warehouse and for four redundant manufacturing facilities in 1998. Adjustments are made to prior accruals as information becomes available upon which more accurate costs can be reasonably estimated.

Approximately 45 percent of the ending accrual at December 31, 2000 consisted of reductions in property, plant and equipment to estimated net realizable values. Approximately one-half of the reduction to net realizable value relates to facilities closed in 2000 while the other half relates primarily to facilities that ceased operations prior to 1998. The remaining portion of the ending accrual at December 31, 2000 relates primarily to post-closure demolition expenses, continued lease payments or cancellation penalties, and ongoing contractual expenses relating to facilities whose operations ceased prior to 1998. The Company is involved in ongoing environmental-related activities at certain owned facilities that have been closed and cannot reasonably estimate when such matters will be concluded to allow for disposition. As sale of the facilities occurs, following the completion of the environmental-related activities or at time of demolition, the realized loss from carrying value to net realizable value will be charged to the accrual. Most remaining demolition expenses are expected to be incurred during 2001.

A summary of the financial data related to the closing or sale of the facilities is as follows:

	2000	1999	1998
Beginning accruals - January 1	\$34,883	\$ 56,097	\$ 47,111
Provisions included in Cost of goods sold	1,055	3,810	11,267
Provisions included in			
Other expense - net	6,990	278	14,094
Prior accrual adjustments included			
in Other expense - net	(22)	3,552	(1,804)
Total charges included in			
Other expense - net	6,968	3,830	12,290
Actual expenditures charged to accrual	(6,173)	(15,529)	(5,322)
Realized losses charged to accrual	(4,459)	(13,325)	(9,249)
Ending accruals - December 31	<u>\$ 32,274</u>	<u>\$ 34,883</u>	<u>\$ 56,097</u>
Net after-tax charges to			
current operations	\$ 5,215	\$ 4,966	\$ 15,312
Net after-tax charges per share	\$.03	\$.03	\$.09

NOTE 6 - PENSION AND OTHER BENEFITS

The Company provides pension benefits to substantially all employees through noncontributory defined benefit or defined contribution plans. The Company's annual contribution for its defined contribution pension plans, which is based on a level percentage of compensation for covered employees, was \$33,043, \$31,512, and \$27,004 in 2000, 1999, and 1998, respectively.

The Company provides certain health care benefits for active employees. The plans are contributory and contain cost-sharing features such as deductibles and coinsurance. There were 16,811, 16,081, and 15,894, active employees entitled to receive benefits

under these plans as of December 31, 2000, 1999, and 1998, respectively. The cost of these benefits for active employees is recognized as claims are incurred and amounted to \$58,782, \$52,640, and \$47,563 for 2000, 1999, and 1998, respectively. The Company has a fund, to which it no longer intends to contribute, that provides for payment of health care benefits of certain qualified employees. Distributions from the fund amounted to \$7,410, \$6,421, and \$4,928 in 2000, 1999, and 1998, respectively.

Employees of the Company who were hired prior to January 1, 1993 and who are not members of a collective bargaining unit, and certain groups of employees added through acquisitions, are eligible for certain health care and life insurance benefits upon retirement from active service, subject to the terms, conditions and limitations of the applicable plans. There were 4,855, 4,831, and 4,800 retired employees entitled to receive benefits as of December 31, 2000, 1999, and 1998, respectively. The plans are unfunded.

	Defined Benefit Pension Plans			Other Postretirement Benefits		
	2000	1999	1998	2000	1999	1998
Benefit obligation:						
Balance at beginning of year	\$ 170,632	\$ 169,099	\$ 175,204	\$ 225,686	\$ 217,627	\$ 206,007
Service cost	2,990	3,237	2,564	3,821	4,215	3,877
Interest cost	12,504	11,516	11,942	15,649	14,467	13,909
Actuarial loss (gain)	8,957	(1,106)	1,702	15,930	966	3,184
Plan amendments	738		2,003			
Plan mergers	9,446					
Other - net	208	181				
Benefits paid	(10,596)	(12,295)	(24,316)	(13,150)	(11,589)	(9,350)
Balance at end of year	194,879	170,632	169,099	247,936	225,686	217,627
Plan assets:						
Balance at beginning of year	523,453	492,384	446,271			
Actual return on plan assets	25,534	44,859	71,188			
Plan mergers	17,017					
Other - net	(954)	(1,495)	(759)			
Benefits paid	(10,596)	(12,295)	(24,316)			
Balance at end of year	554,454	523,453	492,384			
Excess (deficient) plan assets:						
Balance at end of year	359,575	352,821	323,285	(247,936)	(225,686)	(217,627)
Unrecognized net asset		(1,279)	(2,792)			
Unrecognized actuarial loss (gain)	2,080	(20,262)	(20,348)	37,752	21,993	20,171
Unrecognized prior service cost (credit)	2,320	2,404	2,330	(11,689)	(14,498)	(17,307)
Net asset (liability) recognized in the consolidated balance sheets	\$ 363,975	\$ 333,684	\$ 302,475	\$ (221,873)	\$ (218,191)	\$ (214,763)
Net asset (liability) recognized in the consolidated balance sheets consists of:						
Prepaid benefit cost	\$ 364,351	\$ 334,094	\$ 304,006			
Accrued benefit liability				\$ (208,673)	\$ (206,591)	\$ (204,763)
Amount included in current liabilities	(376)	(410)	(1,531)	(13,200)	(11,600)	(10,000)
	\$ 363,975	\$ 333,684	\$ 302,475	\$ (221,873)	\$ (218,191)	\$ (214,763)
Weighted-average assumptions as of December 31:						
Discount rate	7.00%	7.25%	6.75%	7.00%	7.25%	6.75%
Expected long-term rate of return on assets	8.50%	8.50%	8.50%			
Rate of compensation increase	5.00%	5.00%	5.00%			
Health care cost trend rate				6.00%	6.40%	6.70%
Net periodic benefit (credit) cost:						
Service and interest cost	\$ 15,494	\$ 14,753	\$ 14,506	\$ 19,470	\$ 18,682	\$ 17,786
Net amortization and deferral	(490)	(699)	(2,524)	(2,814)	(2,768)	(2,809)
Expected return on assets	(44,633)	(42,137)	(37,531)			
Settlement gain			(5,302)			
Net periodic benefit (credit) cost	\$ (29,629)	\$ (28,083)	\$ (30,851)	\$ 16,656	\$ 15,914	\$ 14,977

Plan assets included 2,338,800 shares of the Company's common stock at December 31, 2000 with a market value of \$61,541. Dividends received during the year from Company stock was \$1,155.

The assumed health care cost trend rate was revised during the year ended December 31, 2000, to 9.5 percent for 2001 decreasing gradually to 5.5 percent for 2010 and thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects as of December 31, 2000:

	One-Percentage-Point	
	Increase	(Decrease)
Effect on total of service and interest cost components	\$ 580	\$ (565)
Effect on the postretirement benefit obligation	\$ 8,137	\$ (7,900)

NOTE 7—LONG-TERM DEBT

	Due Date	Amount Outstanding		
		2000	1999	1998
6.85% Notes	2007	\$ 199,807	\$ 199,775	\$ 199,742
7.375% Debentures	2027	149,910	149,907	149,903
7.45% Debentures	2097	149,408	149,402	149,396
6.5% Notes	2002	99,989	99,978	99,966
6.25% Notes	2000			99,974
9.875% Debentures	2007 to 2016	11,500	15,900	15,900
5% to 9% Promissory Notes	Through 2005	8,882	5,752	10,623
8% to 12% Promissory Notes partially secured by certain land and buildings	Through 2005	2,259	3,569	3,884
4.75% Promissory Note	2000			800
Other Obligations		1,832	82	95
		<u>\$ 623,587</u>	<u>\$ 624,365</u>	<u>\$ 730,283</u>

Maturities of long-term debt are as follows for the next five years: \$19,368 in 2001; \$106,616 in 2002; \$5,632 in 2003; \$405 in 2004, and \$204 in 2005.

Interest expense on long-term debt was \$46,569, \$55,415, and \$59,137 for 2000, 1999, and 1998, respectively.

The Company has renewable 364-day and five-year amended revolving credit agreements. The current agreements with effective dates of December 29, 2000 and January 3, 2001 reflect the following: 1) a 364-day annually renewable agreement aggregating \$129,600 expiring on December 28, 2001; and 2) a five-year rolling agreement aggregating \$638,400, with \$30,400, \$190,400, and \$417,600 expiring on January 3, 2003, 2005, and 2006, respectively. There were no borrowings outstanding under any revolving credit agreement during all years presented.

The Company uses the revolving credit agreements to satisfy its commercial paper program's dollar for dollar liquidity requirement. At December 31, 2000, borrowings outstanding under the commercial paper program totaled \$106,854 and are included in Short-term borrowings on the balance sheet. The weighted-average interest rate related to these borrowings was 6.6% at December 31, 2000. There were no borrowings

outstanding under this program at December 31, 1999 and 1998, respectively. Effective January 3, 2001, this program is limited to \$768,000, which equals the new aggregate maximum borrowing capacity under the revolving credit agreements.

On October 6, 1997, the Company issued \$50,000 of debt securities remaining under a previously existing shelf registration with the Securities and Exchange Commission consisting of 5.5% notes, due October 15, 2027, with provisions that the holders, individually or in the aggregate, may exercise a put option on October 15, 1999 and annually thereafter that would require the Company to repay the securities. On October 15, 2000 and 1999, individual debt security holders exercised put options requiring the Company to repay \$7,960 and \$38,945 of these debt securities. The remaining balance of \$3,095 at December 31, 2000 and \$11,055 at December 31, 1999 of these debt securities are included in Current portion of long-term debt on the balance sheets.

On December 24, 1997, the Company filed a shelf registration with the Securities and Exchange Commission covering \$150,000 of unsecured debt securities with maturities greater than nine months from the date of issue. The Company may issue these securities from time to time in one or more series and will offer the securities on terms determined at the time of sale. There were no borrowings outstanding under this registration at December 31, 2000, 1999, and 1998.

On August 18, 1998, the Company filed a universal shelf registration statement with the Securities and Exchange Commission to issue debt securities, common stock and warrants up to \$1,500,000. The registration was effective September 8, 1998. There were no borrowings outstanding under this registration at December 31, 2000, 1999, and 1998.

NOTE 8—LEASES

The Company leases certain stores, warehouses, manufacturing facilities, office space and equipment. Renewal options are available on the majority of leases and, under certain conditions, options exist to purchase certain properties. Rental expense for operating leases was \$130,552, \$123,084, and \$117,762 for 2000, 1999, and 1998, respectively. Certain store leases require the payment of contingent rentals based on sales in excess of specified minimums. Contingent rentals included in rent expense were \$12,423, \$11,530, and \$10,329 in 2000, 1999, and 1998, respectively. Rental income, as lessor, from real estate leasing activities and sublease rental income for all years presented was not significant.

Following is a schedule, by year and in the aggregate, of future minimum lease payments under noncancellable operating leases having initial or remaining terms in excess of one year at December 31, 2000:

2001	\$ 98,001
2002	81,919
2003	62,376
2004	46,533
2005	30,805
Later years	81,959
Total minimum lease payments	<u>\$ 401,593</u>

NOTE 9—OTHER LONG-TERM LIABILITIES

Included in Other long-term liabilities at December 31, 2000, 1999, and 1998 were accruals for extended environmental-related activities of \$116,594, \$124,096 and \$127,613, respectively. The accrual for extended environmental-related activities represents the Company's provisions for estimated costs associated with some of its current and former sites. Also, the Company, together with other parties, has been designated a potentially responsible party under federal and state environmental protection laws for the remediation of hazardous waste at a number of third-party sites, primarily Superfund sites. In general, these laws provide that potentially responsible parties may be held jointly and severally liable for investigation and remediation costs regardless of fault. The Company provides for, and includes in long-term liabilities, its estimated potential long-term liability for investigation and remediation costs with respect to such third-party sites.

The Company initially provides for the estimated cost of environmental-related activities relating to its current, former and third-party sites when costs can be reasonably estimated. These estimates are determined based on currently available facts regarding each site. If the best estimate of costs can only be identified as a range and no specific amount within that range can be determined more likely than any other amount within the range, the minimum of the range is accrued. Actual costs incurred may vary from these estimates due to the inherent uncertainties involved. The Company believes that any additional liability in excess of amounts provided which may result from the resolution of such matters will not have a material adverse effect on the financial condition, liquidity or cash flow of the Company.

Current environmental-related liabilities are included in Other accruals on the consolidated balance sheets.

NOTE 10—STOCK PURCHASE PLAN

As of December 31, 2000, 14,611 employees participated in the Company's Employee Stock Purchase and Savings Plan. The Company's contribution charged to operations was \$28,070, \$36,535, and \$32,679 for 2000, 1999, and 1998, respectively. Additionally, the Company made contributions on behalf of participating employees, representing amounts authorized by employees to be withheld from their earnings, of \$26,636, \$22,581, and \$20,250 in 2000, 1999, and 1998, respectively.

At December 31, 2000, there were 25,345,026 shares of the Company's stock being held by this plan, representing 15.9 percent of the total number of voting shares outstanding. Shares of company stock credited to each member's account under the plan are voted by the trustee under instructions from each individual plan member. Shares for which no instructions are received, along with any unallocated shares held in the plan, are voted by the trustee in the same proportion as those for which instructions are received.

NOTE 11—CAPITAL STOCK

	Shares in Treasury	Shares Outstanding
Balance at January 1, 1998	31,630,255	172,907,418
Shares tendered as payment for options exercised	37,663	(37,663)
Shares issued for exercise of stock options		1,201,476
Shares cancelled under previous restricted stock grants		(38,000)
Treasury stock purchased	3,000,000	(3,000,000)
Balance at December 31, 1998	34,667,918	171,033,231
Shares tendered as payment for options exercised	8,392	(8,392)
Shares issued for exercise of stock options		462,598
Shares tendered in connection with restricted stock grants	44,236	(44,236)
Net shares issued under restricted stock grants		145,400
Treasury stock purchased	5,925,000	(5,925,000)
Balance at December 31, 1999	40,645,546	165,663,601
Shares tendered as payment for options exercised	8,757	(8,757)
Shares issued for exercise of stock options		533,991
Shares transferred to revocable trust	(165,000)	165,000
Net shares issued under restricted stock grants		4,500
Treasury stock purchased	6,800,000	(6,800,000)
Balance at December 31, 2000	47,289,303	159,558,335

An aggregate of 19,184,038 shares, 19,722,529 shares, and 20,389,127 shares of stock at December 31, 2000, 1999 and 1998, respectively, were reserved for future grants of restricted stock and the exercise and future grants of stock options. Shares outstanding include 432,518 shares, 215,150 shares, and 159,800 shares of stock held in a revocable trust at December 31, 2000, 1999, and 1998, respectively. At December 31, 2000, there were 300,000,000 shares of common stock and 30,000,000 shares of serial preferred stock authorized for issuance (3,000,000 shares of the authorized serial preferred stock have been designated as cumulative redeemable serial preferred stock which may be issued pursuant to the Company's shareholders' rights plan if the Company becomes the target of coercive and unfair takeover tactics).

NOTE 12—STOCK PLAN

The Company's 1994 Stock Plan permits the granting of restricted stock, stock appreciation rights and stock options to eligible employees. The 1994 Stock Plan succeeded the 1984 Stock Plan which expired on February 15, 1994. Although no further grants may be made under the 1984 Stock Plan, all rights granted under such plan remain. The Company's 1997 Stock Plan for Nonemployee Directors provides for the granting of restricted stock and stock options to members of the Board of Directors who are not employees of the Company. There were 400,000 shares authorized as available for grant under the 1997 Stock Plan. Grants made pursuant to the 1997 Stock Plan are authorized by the Board of Directors.

Restricted stock grants, which generally require four years of continuous employment from the date of grant before vesting and receiving the shares without restriction, have been awarded to certain officers and key employees under the 1994 Stock Plan. The number of shares to be received without restriction is based on the Company's performance relative to a peer group of companies. Shares of restricted stock that vested and were delivered to officers and employees amounted to 120,400 during 1999. No shares of restricted stock vested during 2000 or 1998. At December 31, 2000, there were 352,500 shares of restricted stock outstanding. Unamortized deferred compensation expense with respect to the restricted stock grants amounted to \$3,036, \$4,249, and \$2,781 at December 31, 2000, 1999, and 1998, respectively, and is being amortized over the four-year vesting period. Deferred compensation expense aggregated \$3,180, \$77, and \$2,090 in 2000, 1999, and 1998, respectively. No stock appreciation rights have been granted.

A summary of restricted stock granted during 2000, 1999, and 1998 is as follows:

	2000	1999	1998
Shares granted	4,500	204,000	4,000
Weighted-average fair value of restricted shares granted during year	\$ 19.63	\$ 23.77	\$ 33.06

Non-qualified and incentive stock options have been granted to certain officers and key employees under the plans at prices not less than fair market value of the shares, as defined by the plans, at the date of grant. The options generally become exercisable to the extent of one-third of the optioned shares for each full year following the date of grant and generally expire ten years after the date of grant. The number of options and any period of service required before the options may be exercised is determined by the Board of Directors at the time of grant. No options may be exercised more than ten years from the date of the grant.

The Company has elected to follow APBO No. 25, "Accounting for Stock Issued to Employees," and related interpretations, in

A summary of the Company's stock option activity and related information for the years ended December 31, 2000, 1999 and 1998 is shown in the following table:

	2000		1999		1998	
	Optioned Shares	Weighted-Average Exercise Price	Optioned Shares	Weighted-Average Exercise Price	Optioned Shares	Weighted-Average Exercise Price
Outstanding beginning of year	10,724,653	\$ 22.78	6,259,702	\$ 22.89	5,810,471	\$ 18.47
Granted	2,820,900	19.75	5,292,350	22.33	1,867,500	29.10
Exercised	(533,991)	12.02	(462,598)	15.36	(1,201,476)	14.00
Canceled	(423,252)	24.62	(364,801)	27.69	(216,793)	26.68
Outstanding end of year	12,588,310	\$ 22.47	10,724,653	\$ 22.78	6,259,702	\$ 22.89
Exercisable at end of year	5,923,537	\$ 23.31	3,971,139	\$ 21.09	3,019,873	\$ 17.77
Weighted-average fair value of options granted during year	\$ 4.72		\$ 4.67		\$ 5.12	
Reserved for future grants	6,595,728		8,997,876		14,129,425	

accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under SFAS No. 123, "Accounting for Stock-Based Compensation," requires use of highly subjective assumptions in option valuation models. Under APBO No. 25, because the exercise price of the Company's employee stock options is not less than fair market price of the shares at the date of grant, no compensation expense is recognized in the financial statements. Pro forma information regarding net income and earnings per share, determined as if the Company had accounted for its employee stock options under the fair value method of SFAS No. 123, is required by that statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for all options granted:

	2000	1999	1998
Risk-free interest rate	6.29%	5.34%	5.14%
Expected life of option	3 years	3 years	3 years
Expected dividend yield of stock	2.00%	2.00%	2.00%
Expected volatility of stock	0.305	0.265	0.194

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, it is management's opinion that the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

The amounts below represent the pro forma information calculated through use of the Black-Scholes model. For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period.

	2000	1999	1998
Pro forma net income	\$ 9,617	\$ 297,107	\$ 269,838
Pro forma net income per share:			
Basic	\$.06	\$ 1.77	\$ 1.57
Diluted	\$.06	\$ 1.76	\$ 1.56

Exercise prices for optioned shares outstanding as of December 31, 2000 ranged from \$9.56 to \$35.34. A summary of these options by range of exercise prices is as follows:

Range of Exercise Prices	Outstanding			Exercisable	
	Optioned Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (years)	Optioned Shares	Weighted-Average Exercise Price
< \$16.00	390,829	\$ 12.86	1.80	390,829	\$ 12.86
\$16.00 - \$19.99	3,241,788	19.03	9.38	557,988	16.51
\$20.00 - \$26.00	6,128,196	22.00	8.01	2,701,625	21.74
> \$26.00	2,827,497	28.77	6.96	2,273,095	28.65
	12,588,310	\$ 22.47	7.67	5,923,537	\$ 23.31

NOTE 13—INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using the enacted tax rates and laws that are currently in effect. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2000, 1999 and 1998 are as follows:

	2000	1999	1998
Deferred tax assets:			
Dispositions, environmental and other similar items	\$ 55,220	\$ 56,123	\$ 61,857
Other items (each less than 5% of total assets)	98,107	94,196	88,432
Total deferred tax assets	\$ 153,327	\$ 150,319	\$ 150,289
Deferred tax liabilities:			
Depreciation and amortization	\$ 35,691	\$ 66,374	\$ 51,997
Deferred employee benefit items	50,333	42,785	35,163
Total deferred tax liabilities	\$ 86,024	\$ 109,159	\$ 87,160

Significant components of the provisions for income taxes are as follows:

	2000	1999	1998
Current:			
Federal	\$ 125,393	\$ 128,185	\$ 106,538
Foreign	6,211	11,787	6,982
State and Local	22,662	25,116	23,162
Total Current	154,266	165,088	136,682
Deferred:			
Federal	(27,386)	14,388	20,946
Foreign	6,213	3,851	5,587
State and Local	(5,713)	2,931	4,024
Total Deferred	(26,886)	21,170	30,557
Total income tax expense	\$ 127,380	\$ 186,258	\$ 167,239

Significant components of income before income taxes as used for income tax purposes, are as follows:

	2000	1999	1998
Domestic	\$ 90,412	\$ 411,626	\$ 382,469
Foreign	52,994	78,492	57,634
	\$ 143,406	\$ 490,118	\$ 440,103

A reconciliation of the statutory federal income tax rate and the effective tax rate follows:

	2000	1999	1998
Statutory tax rate	35.0%	35.0%	35.0%
Effect of:			
State and local taxes	7.7	3.7	4.0
Investment vehicles	(7.3)	(1.5)	(2.7)
Impairment of long-lived assets	51.0		
Other - net	2.5	0.8	1.7
Effective tax rate	88.9%	38.0%	38.0%

A portion of the impairment of long-lived assets charge in 2000 related to goodwill was not deductible for tax purposes. The effect on the statutory federal income tax rate is shown separately in the previous table. The state and local tax effect is not shown separately. The remaining portion of the impairment charge created federal, state and local deferred tax benefits due to the significant temporary differences between the reduced financial carrying amounts and amounts used for tax purposes.

The provisions for income taxes includes estimated taxes payable on that portion of retained earnings of foreign subsidiaries expected to be received by the Company. A provision was not made with respect to \$5,647 of retained earnings at December 31, 2000 that have been invested by foreign subsidiaries. It is not practicable to estimate the amount of unrecognized deferred tax liability for undistributed foreign earnings.

Netted against the Company's other deferred tax assets are valuation reserves of \$9,082, \$16,211 and \$16,703 at December 31, 2000, 1999, and 1998, respectively, resulting from the uncertainty as to the realization of the tax benefits from certain foreign net operating losses and certain other foreign assets.

NOTE 14—SUMMARY OF QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

Quarter	2000				
	Net Sales	Gross Profit	Net Income (Loss)	Net Income (Loss) per Share - Basic	Net Income (Loss) per Share - Diluted
1st	\$ 1,221,916	\$ 516,244	\$ 40,923	\$.25	\$.25
2nd	1,429,267	641,474	115,843	.71	.71
3rd	1,411,903	626,095	106,719	.66	.66
4th	1,148,538	523,798	(247,459)	(1.55)	(1.55)

The fourth quarter net loss resulted from an after-tax charge for the impairment of long-lived assets of \$293,628 or \$1.84 per share (\$1.80 per share for the year due to the effect of dilution and higher average shares outstanding). Net income in the fourth quarter of \$46,169, excluding the impairment charge, was decreased by \$484, no per share impact, due to certain year-end adjustments. Gross profit increased by \$8,666 (\$5,633 after-tax, \$.04 per share) primarily as a result of physical inventory adjustments of \$9,889 (\$6,428 after-tax, \$.04 per share) partially offset by fourth quarter provisions for closing costs associated with certain operations of \$1,055 (\$686 after-tax, no per share

impact). Administrative expenses increased \$1,288 (\$838 after-tax, \$.01 per share) due to other year-end adjustments. Other expense-net increased \$8,122 (\$5,279 after-tax, \$.03 per share) due primarily to fourth quarter provisions for the reduction to net realizable value of certain fixed assets related to site closings of \$6,968 (\$4,529 after-tax, \$.03 per share).

1999					
Quarter	Net Sales	Gross Profit	Net Income	Net Income per Share - Basic	Net Income per Share - Diluted
1st	\$ 1,127,867	\$ 477,086	\$ 28,797	\$.17	\$.17
2nd	1,384,070	610,390	107,594	.64	.63
3rd	1,345,483	609,834	111,482	.67	.66
4th	1,146,416	551,204	55,987	.34	.34

Net income during the fourth quarter decreased by \$1,751 (\$.01 per share) due to certain year-end adjustments. Gross profit increased by \$23,006 (\$14,953 after-tax, \$.09 per share) as a result of physical inventory adjustments of \$32,659 (\$21,228 after-tax, \$.12 per share). These adjustments were partially offset by other year-end adjustments of \$5,843 (\$3,798 after-tax, \$.02 per share) and by provisions for the closing costs associated with certain operations of \$3,810 (\$2,477 after-tax, \$.01 per share). Administrative expenses decreased \$703 (\$457 after-tax, no per share effect) due to other year-end adjustments. Other expense - net increased \$26,403 (\$17,162 after-tax, \$.10 per share) due to the net provisions for environmental-related matters at current, former and third-party sites of \$16,860 (\$10,959 after-tax, \$.07 per share), the provision of \$3,830 (\$2,490 after-tax, \$.01 per share) for the adjustment to net realizable value of certain net fixed assets related to site closings, and due to other year-end adjustments of \$5,713 (\$3,713 after-tax, \$.02 per share).

NOTE 15-NET INCOME PER SHARE

	2000	1999	1998
Basic			
Average shares outstanding	161,911,789	167,924,660	172,162,472
Net income	\$ 16,026	\$ 303,860	\$ 272,864
Net income per share	\$.10	\$ 1.81	\$ 1.58
Diluted			
Average shares outstanding	161,911,789	167,924,660	172,162,472
Non-vested restricted stock grants ..	279,300	263,567	235,317
Stock options -			
treasury stock method	503,982	838,069	1,137,890
Average shares assuming dilution ..	162,695,071	169,026,296	173,535,679
Net income	\$ 16,026	\$ 303,860	\$ 272,864
Net income per share	\$.10	\$ 1.80	\$ 1.57

NOTE 16-COMPREHENSIVE INCOME

Cumulative other comprehensive loss consists of the following components:

	Foreign Currency Translation Adjustments	Minimum Pension Liability Adjustments	Cumulative Other Comprehensive Loss
Balance at January 1, 1998	\$ (33,089)	\$ (428)	\$ (33,517)
Other comprehensive loss	(11,838)	428	(11,410)
Balance at December 31, 1998	(44,927)	\$ 0	(44,927)
Other comprehensive loss	(100,697)		(100,697)
Balance at December 31, 1999	(145,624)		(145,624)
Other comprehensive loss	(17,985)		(17,985)
Balance at December 31, 2000	\$ (163,609)		\$ (163,609)

NOTE 17 - REPORTABLE SEGMENT INFORMATION

The Company reports its segment information in five reportable segments - the Paint Stores, Consumer, Automotive Finishes, International Coatings (collectively, the "Operating Segments") and Administrative Segments - in accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 requires an enterprise to report segment information in the same way that management internally organizes its business for assessing performance and making decisions regarding allocation of resources. See the inside front cover and page 1 of this report for more information about reportable segments.

The Company's chief operating decision maker has been identified as the Chief Executive Officer because he has final authority over performance assessment and resource allocation decisions. Because of the global, diverse operations of the Company, the chief operating decision maker regularly receives discrete financial information about each reportable segment as well as a significant amount of additional financial information about certain aggregated divisions, operating units and subsidiaries of the Company. The chief operating decision maker uses all such financial information for performance assessment and resource allocation decisions. Factors considered in determining the five reportable segments of the Company include the nature of the business activities, existence of managers responsible for the operating and administrative activities and information presented to the Board of Directors. The Company evaluates the performance of operating segments and allocates resources based on profit or loss and cash generated from operations before income taxes, excluding corporate expenses and financing gains and losses. The accounting policies of the reportable segments are the same as those described in Note 1.

The Paint Stores Segment consists of 2,488 company-operated specialty paint stores in the United States, Canada, Virgin Islands, Puerto Rico and Mexico. Each of the stores has the same business activity of selling identical national and similar regional products to similar types of customers. During 2000, this Segment opened or acquired 92 net new stores, remodeled 52 and relocated 36. The net new stores consisted of 79 stores in the United States, 3 in Canada, 1 in the Virgin Islands, 4 in Puerto Rico and 5 in Mexico. In 1999, there were 73 net new stores opened (66 in the

United States). In 1998, 64 net new stores were opened (55 in the United States). This Segment also manufactures original equipment manufacturer (OEM) product finishes sold through the paint stores and by direct outside sales representatives. In addition to stores, operations in Mexico include a manufacturing facility, distribution activities and outside selling functions to dealers and other distributors.

The Paint Stores Segment is the exclusive North American marketer and seller of Sherwin-Williams® branded architectural coatings, industrial and marine products, OEM product finishes and related items produced by its Mexican operations, its product finishes manufacturing and by the Consumer Segment. The loss of any single customer would not have a material adverse effect on the business of this Segment. A map on the inside back cover of this report shows the number of paint stores and their geographical locations.

The Consumer Segment develops, manufactures and distributes a variety of paint, coatings and related products to third party customers and the Paint Stores Segment. Approximately 41 percent of the total sales of the Consumer Segment in 2000, including inter-segment transfers, represented products sold through the Paint Stores Segment. Sales and marketing of certain control-branded and private labeled products is performed by a direct sales staff. The products distributed through third party customers are intended for resale to the ultimate end-user of the product. The Consumer Segment has sales to certain customers that, individually, may be a significant portion of the sales of the Segment. However, the loss of any single customer would not have a material adverse effect on the overall profitability of the Segment. This Segment incurs most of the Company's capital expenditures related to ongoing environmental compliance measures.

The Automotive Finishes Segment develops, manufactures and distributes a variety of motor vehicle finish, refinish and touch-up products primarily throughout North and South America, the Caribbean Islands, and Italy. This Segment also licenses certain technology and trade names worldwide. Sherwin-Williams® branded automotive finish and refinish products are distributed throughout North America solely through this Segment's network of 127 company-operated automotive branches in the United States and 17 in Canada. Additional automotive branches in Jamaica (14) and Chile (17) complete this Segment's worldwide network. At December 31, 2000, this Segment included 11 foreign wholly-owned subsidiaries in 8 foreign countries and 11 licensing agreements in 15 foreign countries. During 2000, the Automotive Finishes Segment opened or acquired three net new branches worldwide. A map on the inside back cover of this report shows the number of branches and their geographical locations.

The International Coatings Segment develops, licenses, manufactures and distributes a variety of paint, coatings and related products worldwide. The majority of the sales from licensees and subsidiaries occur in South America, the Segment's most important international market. This Segment sells its products through 29 company-operated specialty paint stores in

Chile and 16 in Brazil and by outside selling functions to dealers and other distributors. At December 31, 2000, this Segment included 12 foreign wholly-owned subsidiaries in 8 foreign countries, 4 foreign joint ventures and 29 licensing agreements in 20 foreign countries.

The Administrative Segment includes the administrative expenses of the Company's and certain consolidated subsidiaries' headquarters sites. This Segment includes interest expense which is unrelated to retail real estate leasing activities, investment income, certain foreign currency transaction losses related to dollar-denominated debt, certain provisions for disposition and environmental-related matters, and other expenses which are not directly associated with any Operating Segment. Administrative expenses do not include any significant foreign operations. Also included in the Administrative Segment is a real estate management unit that is responsible for the ownership, management, leasing of non-retail properties held primarily for use by the Company, including the Company's headquarters site, and disposal of idle facilities. Sales of the Administrative Segment represent external leasing revenue of excess headquarters space or leasing of facilities no longer used by the Company in its operations. Gains and losses from the sale of property are not a significant operating factor in determining the performance of this Segment.

Net external sales of all consolidated foreign subsidiaries were \$540 million, \$497 million, and \$521 million for 2000, 1999, and 1998, respectively. Operating profits of all consolidated foreign subsidiaries were \$32 million, \$70 million, and \$47 million for 2000, 1999, and 1998, respectively. Domestic operations account for the remaining net sales and operating profits. Long-lived assets consist of net property, plant and equipment, goodwill, and intangibles. Long-lived assets of consolidated foreign subsidiaries totaled \$245 million, \$242 million, and \$312 million at December 31, 2000, 1999, and 1998, respectively. The consolidated total of long-lived assets for the Company was \$1,687 million, \$2,026 million, and \$2,134 million at December 31, 2000, 1999, and 1998, respectively. No single geographic area outside the United States was significant relative to consolidated net external sales or operating profits. Export sales and sales to any individual customer were each less than 10 percent of consolidated sales to unaffiliated customers during all years presented.

In the reportable segment financial information that follows, operating profit is total revenue, including inter-segment transfers, less operating costs and expenses. Identifiable assets are those directly identified with each reportable segment. Administrative Segment assets consist primarily of cash, investments, deferred pension assets, headquarters property, plant and equipment, and other real estate. The operating margin for each Operating Segment is based upon total external sales and inter-segment transfers. Domestic inter-segment transfers are accounted for at the approximate fully absorbed manufactured cost plus distribution costs. International inter-segment transfers are accounted for at values comparable to normal unaffiliated customer sales.

REPORTABLE SEGMENT FINANCIAL INFORMATION

(Millions of Dollars)

	2000	1999	1998	1997	1996
Net External Sales					
Paint Stores	\$ 3,185	\$ 3,002	\$ 2,822	\$ 2,639	\$ 2,414
Consumer	1,219	1,224	1,282	1,409	1,162
Automotive Finishes	493	471	474	476	434
International Coatings	307	299	348	350	114
Administrative	8	8	8	7	9
Consolidated totals	\$ 5,212	\$ 5,004	\$ 4,934	\$ 4,881	\$ 4,133
Operating Profits					
Paint Stores	\$ 411	\$ 377	\$ 347	\$ 315	\$ 277
Consumer	(210)*	155	125	167	126
Automotive Finishes	61	67	65	64	52
International Coatings	18	34	24	36	20
Administrative:					
Interest expense	(60)	(59)	(70)	(79)	(22)
Corporate expenses and other	(77)	(84)	(51)	(76)	(78)
Income before income taxes	\$ 143 *	\$ 490	\$ 440	\$ 427	\$ 375
Identifiable Assets					
Paint Stores	\$ 1,018	\$ 930	\$ 881	\$ 832	\$ 757
Consumer	1,360 *	1,804	1,850	1,938	1,122
Automotive Finishes	349	279	275	274	274
International Coatings	298	294	356	312	194
Administrative	726	726	689	680	648
Consolidated totals	\$ 3,751 *	\$ 4,033	\$ 4,051	\$ 4,036	\$ 2,995
Capital Expenditures					
Paint Stores	\$ 48	\$ 49	\$ 57	\$ 56	\$ 49
Consumer	40	40	37	57	44
Automotive Finishes	29	10	8	14	10
International Coatings	6	11	15	13	12
Administrative	10	24	29	24	8
Consolidated totals	\$ 133	\$ 134	\$ 146	\$ 164	\$ 123
Depreciation					
Paint Stores	\$ 45	\$ 42	\$ 38	\$ 40	\$ 35
Consumer	28	29	30	24	21
Automotive Finishes	9	8	8	7	7
International Coatings	6	6	6	6	1
Administrative	21	20	16	13	12
Consolidated totals	\$ 109	\$ 105	\$ 98	\$ 90	\$ 76
Operating Segment Margins					
Paint Stores	12.9%	12.5%	12.3%	11.9%	11.5%
Consumer	(10.1%)	7.6%	6.1%	8.0%	7.0%
Automotive Finishes	11.5%	13.3%	12.8%	12.5%	11.1%
International Coatings	5.9%	11.4%	6.9%	10.2%	17.5%
Operating segment totals	4.6% *	10.8%	9.8%	10.4%	9.9%
Intersegment Transfers					
Paint Stores	\$ 10	\$ 8	\$ 5		
Consumer	860	817	771	\$ 666	\$ 645
Automotive Finishes	36	31	34	37	33
International Coatings				2	
Administrative	11	12	11	9	9
Segment totals	\$ 917	\$ 868	\$ 821	\$ 714	\$ 687

* Includes charge and reduction in asset value of \$352 in 2000 for impairment of long-lived assets. See note 2.

BOARD OF DIRECTORS

James C. Boland, 61*

President and Chief Executive Officer
CAVS/Gund Arena Company

John G. Breen, 66

Retired, former Chairman, Chief Executive
Officer and President
The Sherwin-Williams Company

Duane E. Collins, 64

Chairman and Chief Executive Officer
Parker-Hannifin Corporation

Christopher M. Connor, 44

Chairman and Chief Executive Officer
The Sherwin-Williams Company

Daniel E. Evans, 64

Chairman
Bob Evans Farms, Inc.

Robert W. Mahoney, 64

Retired, former Chairman, Chief Executive
Officer and President
Diebold, Incorporated

William G. Mitchell, 70*

Retired, former Vice Chairman
Centel Corporation

A. Malachi Mixon, III, 60

Chairman and Chief Executive Officer
Invacare Corporation

Curtis E. Moll, 61*

Chairman and Chief Executive Officer
MTD Products, Inc.

Helen O. Petrauskas, 56*

Vice President-Environmental and
Safety Engineering
Ford Motor Company

Joseph M. Scaminace, 47

President and Chief Operating Officer
The Sherwin-Williams Company

Richard K. Smucker, 52*

President
The J. M. Smucker Company

CORPORATE OFFICERS

Christopher M. Connor, 44**

Chairman and Chief Executive Officer

Joseph M. Scaminace, 47**

President and Chief Operating Officer

Larry J. Pitorak, 54**

Senior Vice President - Finance,
Treasurer and Chief Financial Officer

John L. Ault, 55**

Vice President - Corporate Controller

Cynthia D. Brogan, 49

Vice President and
Assistant Treasurer

Mark J. Dvoroznak, 42

Vice President -
Corporate Audit and Loss Prevention

Thomas E. Hopkins, 43**

Vice President -
Human Resources

Conway G. Ivy, 59**

Vice President -
Corporate Planning and Development

James J. Sgambellone, 43

Vice President -
Taxes and Assistant Secretary

Louis E. Stellato, 50**

Vice President, General
Counsel and Secretary

Richard M. Weaver, 46

Vice President - Administration

OPERATING MANAGERS

Thomas S. Brummett, 55

President & General Manager
Eastern Division
Paint Stores Group

Robert J. Davisson, 40

President & General Manager
Southeastern Division
Paint Stores Group

Michael A. Galasso, 53**

President & General Manager
International Division

Blair P. LaCour, 54

President & General Manager
Mid Western Division
Paint Stores Group

John G. Morikis, 37**

President
Paint Stores Group

Ronald P. Nandor, 41**

President & General Manager
Automotive Division

Steven J. Oberfeld, 48

President & General Manager
South Western Division
Paint Stores Group

Thomas W. Seitz, 52**

President & General Manager
Consumer Division

Robert A. Taylor, 47

President & General Manager
Chemical Coatings Business Unit
Paint Stores Group

*Audit Committee Member

**Executive Officer as defined by the Securities Exchange Act of 1934

SHAREHOLDER INFORMATION

Annual Meeting

The annual meeting of shareholders will be held at 10:00 A.M., April 25, 2001 in the Landmark Conference Center, Room 927, Midland Building, 101 Prospect Avenue, N.W., Cleveland, Ohio.

Investor Relations

Conway G. Ivy
The Sherwin-Williams Company
101 Prospect Avenue, N.W.
Cleveland, Ohio 44115-1075
Internet: www.sherwin.com

Form 10-K

The Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission, is available without charge. To obtain a copy, contact the Investor Relations Office.

Dividend Reinvestment Program

A dividend reinvestment program is available to shareholders of common stock. For information, contact our transfer agent, The Bank of New York.

Headquarters

The Sherwin-Williams Company
101 Prospect Avenue, N.W.
Cleveland, Ohio 44115-1075
(216) 566-2000

Independent Auditors

Ernst & Young LLP
Cleveland, Ohio

Stock Trading

Sherwin-Williams Common Stock—Symbol, SHW—is traded on the New York Stock Exchange.

Transfer Agent & Registrar

The Bank of New York
Shareholder Relations Department-11E
P.O. Box 11258
Church Street Station
New York, NY 10286
1-800-432-0140
E-mail address:
Shareowner-svcs@Email.bony.com

COMMON STOCK TRADING STATISTICS

	2000	1999	1998	1997	1996
High	\$ 27.625	\$ 32.875	\$ 37.875	\$ 33.375	\$ 28.875
Low	17.125	18.750	19.438	24.125	19.500
Close December 31	26.313	21.000	29.375	27.750	28.000
Shareholders of record	10,813	11,475	11,929	11,964	11,933
Shares traded (thousands)	158,349	161,118	128,942	98,855	72,638

QUARTERLY STOCK PRICES AND DIVIDENDS

2000				1999			
Quarter	High	Low	Dividend	Quarter	High	Low	Dividend
1st	\$ 23.000	\$ 17.125	\$.135	1st	\$ 30.688	\$ 23.063	\$.12
2nd	27.625	21.172	.135	2nd	32.875	27.000	.12
3rd	24.625	19.875	.135	3rd	30.000	19.438	.12
4th	26.563	18.875	.135	4th	23.125	18.750	.12

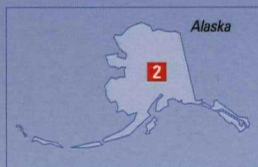
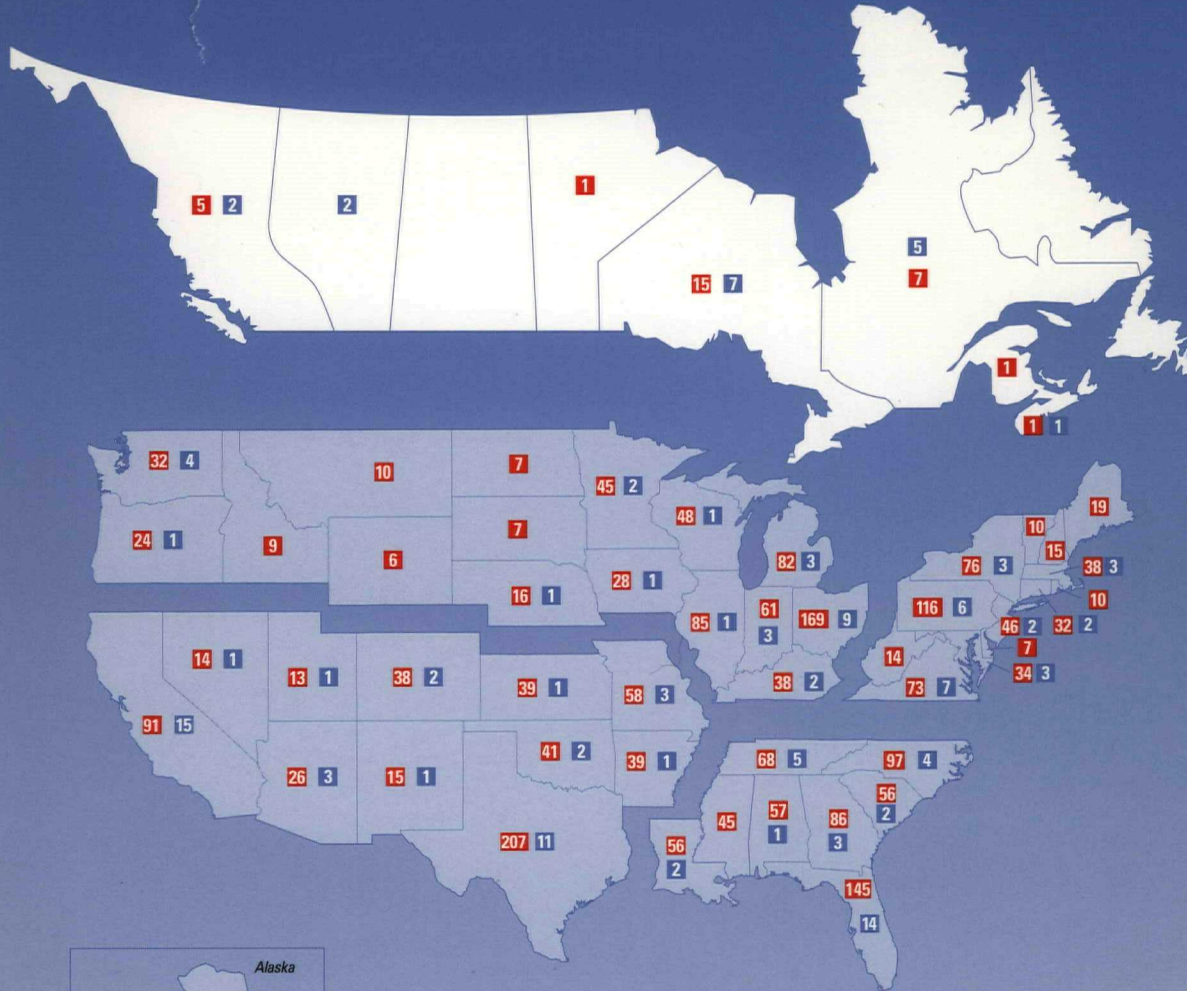
SUBSIDIARIES

FOREIGN

Compañía Sherwin-Williams, S.A. de C.V.
Distribuidores Pinturas del Mundo S.r.L.
Eurofinish S.r.L.
Kriesol, S.A.
Marson Chilena, S.A.
Productos Químicos y Pinturas, S.A. de C.V.
Proquipsa, S.A. de C.V.
Pulverlack Tintas Ltda.
Quetzal Pinturas, S.A. de C.V.
Ronseal (Ireland) Limited
Ronseal Limited
ScottWarren S.p.A.
Sherwin-Williams (Caribbean) N.V.
Sherwin-Williams (West Indies) Limited
Sherwin-Williams Argentina I.y C.S.A.
Sherwin-Williams Canada Inc.
Sherwin-Williams Cayman Islands Limited
Sherwin-Williams Chile S.A.
Sherwin-Williams do Brasil Industria e Comercio Ltda.
Sherwin-Williams Foreign Sales Corporation Limited
Sherwin-Williams Japan Co., Ltd.
SW Paints Ltda.
The Sherwin-Williams Company Resources Limited

DOMESTIC

Contract Transportation Systems Co.
DIMC, Inc.
Dupli-Color Products Company
Sherwin-Williams Automotive Finishes Corp.
SWIMC, Inc.
The Sherwin-Williams Acceptance Corporation
Thompson Minwax International Corp.



Italy



United Kingdom

■ Paint Stores
■ Automotive Branches





**Amended Articles of
Incorporation
of
THE SHERWIN-WILLIAMS COMPANY**

**As amended through
April 28, 1993**

AMENDED ARTICLES

OF

INCORPORATION

OF

THE SHERWIN-WILLIAMS COMPANY

FIRST: The name of this Company is THE SHERWIN-WILLIAMS COMPANY.

SECOND: The place where this Company shall be located and its principal business shall be transacted is the City of Cleveland in the County of Cuyahoga and State of Ohio.

THIRD: The Company is formed for the purpose of developing, producing, manufacturing, buying, selling and generally dealing in products, goods, wares, merchandise and services of any and all kinds and doing all things necessary or incidental thereto.

FOURTH: The number of shares which the Company is authorized to have outstanding is 330,000,000 consisting of 30,000,000 shares of Serial Preferred Stock without par value (hereinafter called "Serial Preferred Stock") and 300,000,000 shares of Common Stock, par value \$1.00 each (hereinafter called "Common Stock").

The shares of such classes shall have the following express terms:

DIVISION A

EXPRESS TERMS OF THE SERIAL PREFERRED STOCK

Section 1. The Serial Preferred Stock may be issued from time to time in one or more series. All shares of Serial Preferred Stock shall be of equal rank and shall be identical, except in respect of the matters that may be fixed by the Board of Directors as hereinafter provided, and each share of each series shall be identical with all other shares of such series, except as to the date from which dividends are cumulative. Subject to the provisions of Sections 2 to 8, both inclusive, of this Division, which provisions shall apply to all Serial Preferred Stock, the Board of Directors hereby is authorized to cause such shares to be issued in one or more series and with respect to each such series prior to the issuance thereof to fix:

(a) The designation of the series, which may be by distinguishing number, letter or title.

(b) The number of shares of the series, which number the Board of Directors may (except where otherwise provided in the creation of the series) increase or decrease (but not below the number of shares thereof then outstanding).

(c) The annual dividend rate of the series.

(d) The dates at which dividends, if declared, shall be payable, and the dates from which dividends shall be cumulative.

(e) The redemption rights and price or prices, if any, for shares of the series.

(f) The terms and amount of any sinking fund provided for the purchase or redemption of shares of the series.

(g) The amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company.

(h) Whether the shares of the series shall be convertible into Common Stock, and, if so, the conversion price or prices, any adjustments thereof, and all other terms and conditions upon which such conversion may be made.

(i) Restrictions (in addition to those set forth in Sections 6(b) and 6(c) of this Division) on the issuance of shares of the same series or of any other class or series.

The Board of Directors is authorized to adopt from time to time amendments to the Articles of Incorporation fixing, with respect to each such series, the matters described in clauses (a) to (i), both inclusive, of this Section 1.

Section 2. The holders of Serial Preferred Stock of each series, in preference to the holders of Common Stock and of any other class of shares ranking junior to the Serial Preferred Stock, shall be entitled to receive out of any funds legally available and when and as declared by the Board of Directors dividends in cash at the rate for such series fixed in accordance with the provisions of Section 1 of this Division and no more, payable quarterly on the dates fixed for such series. Such dividends shall be cumulative, in the case of shares of each particular series, from and after the date or dates fixed with respect to such series. No dividends may be paid upon or declared or set apart for any of the Serial Preferred Stock for any quarterly dividend period unless at the same time a like proportionate dividend for the same quarterly dividend period, ratably in proportion to the respective annual dividend rates fixed therefor, shall be paid upon or declared or set apart for all Serial Preferred Stock of all series then issued and outstanding and entitled to receive such dividend.

Section 3. In no event so long as any Serial Preferred Stock shall be outstanding shall any dividends, except a dividend payable in Common Stock or other shares ranking junior to the Serial Preferred Stock, be paid or declared or any distribution be made except as aforesaid on the Common Stock or any other shares ranking junior to the Serial Preferred Stock, nor shall any Common Stock or any other shares ranking junior to the Serial Preferred Stock be purchased, retired or otherwise acquired by the Company (except out of the proceeds of the sale of Common Stock or other shares ranking junior to the Serial Preferred Stock received by the Company subsequent to August 31, 1966):

(a) Unless all accrued and unpaid dividends on Serial Preferred Stock, including the full dividends for the current quarterly dividend period, shall have been declared and paid or a sum sufficient for payment thereof set apart; and

(b) Unless there shall be no arrearages with respect to the redemption of Serial Preferred Stock of any series from any sinking fund provided for shares of such series in accordance with the provisions of Section 1 of this Division.

Section 4. (a) Subject to the express terms of each series and to the provisions of Section 6(b) (iii) of this Division A, the Company may from time to time redeem all or any part of the Serial Preferred Stock of any series at the time outstanding (i) at the option of the Board of Directors at the applicable redemption price for such series fixed in accordance with the provisions of Section 1 of this Division, or (ii) in fulfillment of the requirements of any sinking fund provided for shares of such series at the applicable sinking fund redemption price, fixed in accordance with the provisions of Section 1 of this Division, together in each case with accrued and unpaid dividends to the redemption date.

(b) Notice of every such redemption shall be mailed, postage prepaid, to the holders of record of the Serial Preferred Stock to be redeemed at their respective addresses then appearing on the books of the Company, not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for such redemption. At any time before or after notice has been given as above provided, the Company may deposit the aggregate redemption price of the shares of Serial Preferred Stock to be redeemed with any bank or trust company in Cleveland, Ohio, or New York, New York, having capital and surplus of more than Five Million Dollars (\$5,000,000), named in such notice, and direct that such amount be paid to the respective

holders of the shares of Serial Preferred Stock so to be redeemed, in amounts equal to the redemption price of all shares of Serial Preferred Stock so to be redeemed, on surrender of the stock certificate or certificates held by such holders. Upon the making of such deposit such holders shall cease to be shareholders with respect to such shares, and after such notice shall have been given and such deposit shall have been made such holders shall have no interest in or claim against the Company with respect to such shares except only to receive such money from such bank or trust company without interest or the right to exercise, before the redemption date, any unexpired privileges of conversion. In case less than all of the outstanding shares of Serial Preferred Stock are to be redeemed, the Company shall select by lot the shares so to be redeemed in such manner as shall be prescribed by its Board of Directors.

If the holders of shares of Serial Preferred Stock which shall have been called for redemption shall not, within six years after such deposit, claim the amount deposited for the redemption thereof, any such bank or trust company shall, upon demand, pay over to the Company such unclaimed amounts and thereupon such bank or trust company and the Company shall be relieved of all responsibility in respect thereof and to such holders.

(c) Any shares of Serial Preferred Stock which are redeemed by the Company pursuant to the provisions of this Section 4 and any shares of Serial Preferred Stock which are purchased and delivered in satisfaction of any sinking fund requirements provided for shares of such series and any shares of Serial Preferred Stock which are converted in accordance with the express terms thereof shall be cancelled and not reissued. Any shares of Serial Preferred Stock otherwise acquired by the Company shall resume the status of authorized and unissued shares of Serial Preferred Stock without serial designation.

Section 5. (a) The holders of Serial Preferred Stock of any series shall, in case of voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, be entitled to receive in full out of the assets of the Company, including its capital, before any amount shall be paid or distributed among the holders of the Common Stock or any other shares ranking junior to the Serial Preferred Stock the amounts fixed with respect to the shares of such series in accordance with Section 1 of this Division, plus in any event an amount equal to all dividends accrued and unpaid thereon to the date of payment of the amount due pursuant to such liquidation, dissolution or winding up of the affairs of the Company. In case the net assets of the Company legally available therefor are insufficient to permit the payment upon all outstanding shares of Serial Preferred Stock of the full preferential amount to which they are respectively entitled, then such net assets shall be distributed ratably upon outstanding shares of Serial Preferred Stock in proportion to the full preferential amount to which each such share is entitled.

After payment to holders of Serial Preferred Stock of the full preferential amounts as aforesaid, holders of Serial Preferred Stock as such shall have no right or claim to any of the remaining assets of the Company.

(b) The merger or consolidation of the Company into or with any other corporation, or the merger of any other corporation into it, or the sale, lease or conveyance of all or substantially all the property or business of the Company, shall not be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary, for the purposes of this Section 5.

Section 6. (a) The holders of Serial Preferred Stock shall be entitled to one vote for each share of such stock upon all matters presented to the shareholders; and, except as otherwise provided herein or required by law, the holders of Serial Preferred Stock and the holders of Common Stock shall vote together as one class on all matters. No adjustment of the voting rights of the holders of Serial Preferred Stock shall be made in the event of an increase or decrease in the number of shares of Common Stock authorized or issued or in the event of a stock split or combination of the Common Stock or in the event of a stock dividend on any class of stock payable solely in Common Stock, and none of the foregoing actions shall be deemed to affect

adversely the voting powers, rights or preferences of Serial Preferred Stock within the meaning and for the purpose of this Division A.

If, and so often as, the Company shall be in default in the payment of dividends in an amount equivalent to six (6) quarterly dividends (whether or not consecutive) on any series of Serial Preferred Stock at the time outstanding, whether or not earned or declared, the holders of Serial Preferred Stock of all series, voting separately as a class and in addition to all other rights to vote for Directors, shall be entitled to elect, as herein provided, two (2) members of the Board of Directors of the Company; provided, however, that the holders of shares of Serial Preferred Stock shall not have or exercise such special class voting rights except at meetings of the shareholders for the election of Directors at which the holders of not less than thirty-five per cent (35%) of the outstanding shares of Serial Preferred Stock of all series then outstanding are present in person or by proxy; and provided further that the special class voting rights provided for herein when the same shall have become vested shall remain so vested until all accrued and unpaid dividends on the Serial Preferred Stock of all series then outstanding shall have been paid, whereupon the holders of Serial Preferred Stock shall be divested of their special class voting rights in respect of subsequent elections of Directors, subject to the revesting of such special class voting rights in the event hereinabove specified in this paragraph.

In the event of default entitling the holders of Serial Preferred Stock to elect two (2) Directors as above specified, a special meeting of the shareholders for the purpose of electing such Directors shall be called by the Secretary of the Company upon written request of, or may be called by, the holders of record of at least ten per cent (10%) of the shares of Serial Preferred Stock of all series at the time outstanding, and notice thereof shall be given in the same manner as that required for the annual meeting of shareholders; provided, however, that the Company shall not be required to call such special meeting if the annual meeting of shareholders shall be held within ninety (90) days after the date of receipt of the foregoing written request from the holders of Serial Preferred Stock. At any meeting at which the holders of Serial Preferred Stock shall be entitled to elect Directors, the holders of thirty-five per cent (35%) of the then outstanding shares of Serial Preferred Stock of all series, present in person or by proxy, shall be sufficient to constitute a quorum, and the vote of the holders of a majority of such shares so present at any such meeting at which there shall be such a quorum shall be sufficient to elect the members of the Board of Directors which the holders of Serial Preferred Stock are entitled to elect as hereinabove provided.

(b) The vote or consent of the holders of at least two-thirds of the shares of Serial Preferred Stock at the time outstanding, given in person or by proxy either in writing or at a meeting called for the purpose at which the holders of Serial Preferred Stock shall vote separately as a class, shall be necessary to effect any one or more of the following (but so far as the holders of Serial Preferred Stock are concerned, such action may be effected with such vote or consent):

(i) Any amendment, alteration or repeal of any of the provisions of the Articles of Incorporation or of the Regulations of the Company which affects adversely the voting powers, rights or preferences of the holders of Serial Preferred Stock; provided, however, that, for the purpose of this clause (i) only, neither the amendment of the Articles of Incorporation so as to authorize or create, or to increase the authorized or outstanding amount of, Serial Preferred Stock or of any shares of any class ranking on a parity with or junior to the Serial Preferred Stock, nor the amendment of the provisions of the Regulations so as to increase the number of Directors of the Company shall be deemed to affect adversely the voting powers, rights or preferences of the holders of Serial Preferred Stock; and provided further, that if such amendment, alteration or repeal affects adversely the rights or preferences of one or more but not all series of Serial Preferred Stock at the time outstanding, only the vote or consent of the holders of at least two-thirds of the number of the shares at the time outstanding of the series so affected shall be required;

(ii) The authorization or creation of, or the increase in the authorized amount of, any shares of any class, or any security convertible into shares of any class, ranking prior to the Serial Preferred Stock; or

(iii) The purchase or redemption (for sinking fund purposes or otherwise) of less than all of the Serial Preferred Stock then outstanding except in accordance with a stock purchase offer made to all holders of record of Serial Preferred Stock, unless all dividends upon all Serial Preferred Stock then outstanding for all previous quarterly dividend periods shall have been declared and paid or funds therefor set apart and all accrued sinking fund obligations applicable thereto shall have been complied with.

This Section 6(b) shall not apply to, and the class or series vote specified therein shall not be required for the approval of, any action which is part of or effected in connection with the consolidation of the Company with or its merger into any other corporation, so long as the class vote specified by Section 6(c) of this Division is obtained in any case in which such class vote is required under clause (ii) of said Section 6(c).

(c) The vote or consent of the holders of at least a majority of the shares of Serial Preferred Stock at the time outstanding, given in person or by proxy either in writing or at a meeting called for the purpose at which the holders of Serial Preferred Stock shall vote separately as a class, shall be necessary to effect any one or more of the following (but so far as the holders of Serial Preferred Stock are concerned, such action may be effected with such vote or consent):

(i) The sale, lease or conveyance by the Company of all or substantially all of its property or business; or

(ii) The consolidation of the Company with or its merger into any other corporation unless the corporation resulting from such consolidation or merger will have after such consolidation or merger no class of shares either authorized or outstanding ranking prior to or on a parity with the Serial Preferred Stock except the same number of shares ranking prior to or on a parity with the Serial Preferred Stock and having the same rights and preferences as the shares of the Company authorized and outstanding immediately preceding such consolidation or merger, and each holder of Serial Preferred Stock immediately preceding such consolidation or merger shall receive the same number of shares, with the same rights and preferences, of the resulting corporation; or

(iii) The authorization of any shares ranking on a parity with the Serial Preferred Stock or an increase in the authorized number of shares of Serial Preferred Stock.

Section 7. If the shares of any series of Serial Preferred Stock shall be convertible into Common Stock, then upon conversion of shares of such series the stated capital of the Common Stock issued upon such conversion shall be the aggregate par value of the shares so issued having par value, or, in the case of shares without par value, shall be an amount equal to the stated capital represented by each share of Common Stock outstanding at the time of such conversion multiplied by the number of shares of Common Stock issued upon such conversion. The stated capital of the Company shall be correspondingly increased or reduced to reflect the difference between the stated capital of the shares of Serial Preferred Stock so converted and the stated capital of the Common Stock issued upon such conversion.

Section 8. The holders of Serial Preferred Stock shall have no preemptive right to purchase or have offered to them for purchase any shares or other securities of the Company, whether now or hereafter authorized.

Section 9. For the purpose of this Division A:

Whenever reference is made to shares "ranking prior to the Serial Preferred Stock" or "on a parity with the Serial Preferred Stock", such reference shall mean and include all shares of the Company in respect of which the rights of the holders thereof as to the payment of dividends or

as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company are given preference over, or rank on an equality with (as the case may be) the rights of the holders of Serial Preferred Stock; and whenever reference is made to shares "ranking junior to the Serial Preferred Stock", such reference shall mean and include all shares of the Company in respect of which the rights of the holders thereof as to the payment of dividends and as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company are junior and subordinate to the rights of the holders of Serial Preferred Stock.

DIVISION A-1

CUMULATIVE REDEEMABLE SERIAL PREFERRED STOCK

Section 1. There is established hereby a series of Serial Preferred Stock that shall be designated "Cumulative Redeemable Serial Preferred Stock" (hereinafter sometimes called this "Series" or the "Cumulative Redeemable Preferred Shares") and that shall have the terms set forth in this Division A-1.

Section 2. The number of shares of this Series shall be 1,000,000.

Section 3. (a) The holders of record of Cumulative Redeemable Preferred Shares shall be entitled to receive, when and as declared by the Board of Directors in accordance with the terms hereof, out of funds legally available for the purpose, cumulative quarterly dividends payable in cash on the first day of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a Cumulative Redeemable Preferred Share or fraction of a Cumulative Redeemable Preferred Share in an amount per share (rounded to the nearest cent) equal to the lesser of (i) \$750 per share or (ii) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions (other than a dividend payable in shares of Common Stock, or a subdivision of the outstanding Common Stock (by reclassification or otherwise)), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any Cumulative Redeemable Preferred Share or fraction of a Cumulative Redeemable Preferred Share. In the event the Company shall at any time declare or pay any dividend on the Common Stock payable in Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of Cumulative Redeemable Preferred Shares were entitled immediately prior to such event under clause (ii) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Dividends shall begin to accrue and be cumulative on outstanding Cumulative Redeemable Preferred Shares from the Quarterly Dividend Payment Date next preceding the date of issue of such Cumulative Redeemable Preferred Shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Cumulative Redeemable Preferred Shares entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. No dividends shall be paid upon or declared and set apart for any Cumulative Redeemable Preferred Shares for any dividend period unless at the same time a dividend for the same dividend period, ratably

in proportion to the respective annual dividend rates fixed therefor, shall be paid upon or declared and set apart for all Serial Preferred Stock of all series then outstanding and entitled to receive such dividend. The Board of Directors may fix a record date for the determination of holders of Cumulative Redeemable Preferred Shares entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 40 days prior to the date fixed for the payment thereof.

Section 4. Subject to the provisions of Section 6(b)(iii) of Division A and in accordance with Section 4 of Division A, the Cumulative Redeemable Preferred Shares shall be redeemable from time to time at the option of the Board of Directors of the Company, as a whole or in part, at any time at a redemption price per share equal to one hundred times the then applicable Purchase Price as defined in that certain Rights Agreement, dated as of January 25, 1989 between the Company and AmeriTrust Company National Association (the "Rights Agreement"), as the same may be from time to time amended in accordance with its terms, which Purchase Price is \$95 as of January 25, 1989, subject to adjustment from time to time as provided in the Rights Agreement. Copies of the Rights Agreement are available from the Company upon request. In case less than all of the outstanding Cumulative Redeemable Preferred Shares are to be redeemed, the Company shall select by lot the shares so to be redeemed in such manner as shall be prescribed by its Board of Directors.

Section 5. (a) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company (hereinafter referred to as a "Liquidation"), no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon Liquidation) to the Cumulative Redeemable Preferred Shares, unless, prior thereto, the holders of Cumulative Redeemable Preferred Shares shall have received at least an amount per share equal to one hundred times the then applicable Purchase Price as defined in the Rights Agreement, as the same may be from time to time amended in accordance with its terms (which Purchase Price is \$95 as of January 25, 1989), subject to adjustment from time to time as provided in the Rights Agreement, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not earned or declared, to the date of such payment, provided that the holders of shares of Cumulative Redeemable Preferred Shares shall be entitled to receive at least an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of Common Stock (the "Cumulative Redeemable Preferred Shares Liquidation Preference").

(b) In the event, however, that the net assets of the Company are not sufficient to pay in full the amount of the Cumulative Redeemable Preferred Shares Liquidation Preference and the liquidation preferences of all other series of Serial Preferred Stock, if any, which rank on a parity with the Cumulative Redeemable Preferred Shares as to distribution of assets in Liquidation, all shares of this Series and of such other series of Serial Preferred Stock shall share ratably in the distribution of assets (or proceeds thereof) in Liquidation in proportion to the full amounts to which they are respectively entitled.

(c) In the event the Company shall at any time declare or pay any dividend on the Common Stock payable in Common Stock, or effect a subdivision or combination or consolidation of the outstanding Common Stock (by reclassification or otherwise than by payment of a dividend in Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of Cumulative Redeemable Preferred Shares were entitled immediately prior to such event pursuant to the proviso set forth in paragraph (a) above, shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(d) The merger or consolidation of the Company into or with any other corporation, or the merger of any other corporation into it, or the sale, lease or conveyance of all or substantially all the property or business of the Company, shall not be deemed to be a Liquidation for the purposes of this Section 5.

Section 6. The Cumulative Redeemable Preferred Shares shall not be convertible into Common Stock.

DIVISION B

EXPRESS TERMS OF THE COMMON STOCK

The Common Stock shall be subject to the express terms of the Serial Preferred Stock and any series thereof. Each share of Common Stock shall be equal to every other share of Common Stock. The holders of shares of Common Stock shall be entitled to one vote for each share of such stock upon all matters presented to the shareholders. The holders of shares of Common Stock shall have no preemptive rights to purchase or have offered to them for purchase any shares of Common Stock which at any time shall be required for issuance in fulfillment of the provisions of any series of the Company's Serial Preferred Stock.

FIFTH: No holders of any class of shares of the Company shall have any preemptive right to purchase or have offered to them for purchase any shares or other securities of the Company, whether now or hereafter authorized.

SIXTH: (A) Notwithstanding any provision of the Ohio Revised Code now or hereafter in force requiring for any purpose the vote, consent, waiver or release of the holders of shares entitling them to exercise two-thirds, or any other proportion, of the voting power of the Company or of any class or classes of shares thereof, such action, unless otherwise expressly required by statute or by the Articles of the Company, may be taken by the vote, consent, waiver or release of the holders of shares entitling them to exercise a majority of the voting power of the Company or of such class or classes.

(B) The affirmative vote (i) of the holders of shares entitling them to exercise two-thirds of the voting power of the Company, and (ii) of the holders of two-thirds of the shares of Common Stock at the time outstanding, given in person or by proxy at a meeting called for the purpose at which the holders of Common Stock shall vote separately as a class, shall be necessary:

(a) to approve (i) the sale, exchange, lease, transfer or other disposition by the Company of all, or substantially all, of its assets or business to a related corporation or an affiliate of a related corporation, or (ii) the consolidation of the Company with or its merger into a related corporation or an affiliate of a related corporation, or (iii) the merger into the Company of a related corporation or an affiliate of a related corporation, or (iv) a combination or majority share acquisition in which the Company is the acquiring corporation and its voting shares are issued or transferred to a related corporation or an affiliate of a related corporation or to shareholders of a related corporation or an affiliate of a related corporation; or

(b) to approve any agreement, contract or other arrangement with a related corporation providing for any of the transactions described in subparagraph (a) above; or

(c) to effect any amendment of the Articles of the Company which changes the provisions of this Paragraph (B).

For the purpose of this Paragraph (B), (i) a "related corporation" in respect of a given transaction shall be any corporation which, together with its affiliates and associated persons, owns of record or beneficially, directly or indirectly, more than 5% of the shares of any outstanding class of stock of the Company entitled to vote upon such transaction, as of the record date used to determine the shareholders of the Company entitled to vote upon such

transaction; (ii) an "affiliate" of a related corporation shall be any individual, joint venture, trust, partnership or corporation which, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the related corporation; (iii) an "associated person" of a related corporation shall be any officer or director or any beneficial owner, directly or indirectly, of 10% or more of any class of equity security, of such related corporation or any of its affiliates; (iv) the terms "combination", "majority share acquisition" and "acquiring corporation" shall have the same meaning as that contained in Section 1701.01 of the Ohio General Corporation Law or any similar provision hereafter enacted.

The determination of the Board of Directors of the Company, based on information known to the Board of Directors and made in good faith, shall be conclusive as to whether any corporation is a related corporation as defined in this Paragraph (B).

SEVENTH: The Company may from time to time, pursuant to authorization by the Board of Directors and without action by the shareholders, purchase or otherwise acquire shares of the Company of any class or classes in such manner, upon such terms and in such amounts as the Board of Directors shall determine; subject, however, to such limitation or restriction, if any, as is contained in the express terms of any class of shares of the Company outstanding at the time of the purchase or acquisition in question.

EIGHTH: No shareholder of the Company may cumulate his voting power.

NINTH: These Amended Articles of Incorporation shall supersede and take the place of the heretofore existing Articles of Incorporation of the Company and all amendments thereto.



Prescribed by **J. Kenneth Blackwell**

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CERTIFICATE OF AMENDMENT BY DIRECTORS OF

THE SHERWIN-WILLIAMS COMPANY

(Name of Corporation)

8027

(charter number)

Louis E. Stellato, who is the Vice President and Secretary

(name)

(title)

of the above named Ohio corporation for profit, does hereby certify that:



a meeting of the shareholders was duly called and held on February 7, 2001

(date)



in a writing signed by all the Directors pursuant to Section 1701.54 of the Ohio Revised Code, the following resolution was adopted pursuant to Section 1701.70(B) () (insert proper paragraph number) of the Ohio Revised Code:

At a meeting of the Board of Directors held on February 7, 2001, the resolutions set forth on Annex A attached hereto were duly adopted pursuant to 1701.70(B)(1) of the Ohio Revised Code.

IN WITNESS WHEREOF, the above named officer, acting for and on behalf of the corporation, has hereunto subscribed his name on April 5, 2001

(his/her)

(date)

Signature: _____

Louis E. Stellato

Title: Vice President and Secretary

ANNEX A

Amendment to Articles of Incorporation

RESOLVED, that pursuant to the authority vested in the Board of Directors by Ohio Revised Code Section 1701.70(B)(1) and Article FOURTH, Division A, Section 1 of the Company's Amended Articles of Incorporation, as amended (the "Articles of Incorporation"), Article FOURTH of the Articles of Incorporation be, and hereby is, amended by adding after Division A-1 of Article FOURTH a new Division A-2 in the form of Exhibit A attached hereto and incorporated herein by this reference;

FURTHER RESOLVED, that in all other respects the Articles of Incorporation, including without limitation all other provisions of Article FOURTH, shall remain unchanged; and

FURTHER RESOLVED, that the officers of the Company be, and each hereby is, authorized and directed to execute a Certificate of Amendment to the Articles of Incorporation of the Company setting forth the foregoing resolution adopting the added Division A-2 to Article FOURTH and to cause such Certificate to be filed with the Secretary of the State of Ohio.

Exhibit A

DIVISION A-2

CONVERTIBLE PARTICIPATING SERIAL PREFERRED STOCK

Section 1. Definitions. For purposes of this Division A-2, the following terms shall have the meanings described:

"Acquisition Debt" is equal to Two Hundred Fifty Million Dollars (\$250,000,000). Upon payment in full of the Purchase Money Note, the Acquisition Debt shall be zero.

"Adjusted Common Stock Value" means 250,000 shares, multiplied by One Thousand Dollars (\$1,000), divided by the Common Stock Price on the Original Issue Date, multiplied by the Common Stock Price (but never less than the Floor Price nor greater than the Cap Amount).

"Base Value" shall, as of any specified date, be equal to the greater of (a) 35% of the cumulative amount of principal paid or forgiven on the Purchase Money Note, or (b) Fifty Million Dollars (\$50,000,000).

"Business Day" means any day other than a Saturday, Sunday or a day on which banking institutions are authorized or obligated by law or executive order to close in New York City.

"Cap Amount" shall be (a) 150% of the Floor Price during the first five years following the Original Issue Date, and (b) 175% of the Floor Price at any time after the fifth anniversary date of the Original Issue Date.

"Closing Price" of any security on any date means the closing sale price (or, if no closing sale price is reported, the last reported sale price) of such security on the NYSE on such date, as reported in the NYSE Composite Transaction Reporting System, or, if such security is not listed for trading on the NYSE on that date, as reported in the composite transactions reporting system for the principal United States securities exchange on which such security is so listed, or, if such security is not so listed, as reported on the National Association of Securities Dealers, Inc. Automated Quotation System, or, if not so reported, the last quoted bid price for such security in the over-the-counter market as reported by the National Quotation Bureau or similar organization, or, if such bid price is not available, the market value of such security on such date as determined by a nationally recognized independent investment banking firm retained for the purpose.

"Code" means the Internal Revenue Code of 1986, as amended.

"Common Stock" means the common stock, \$1.00 par value per share, of the Company.

"Common Stock Price" means, on any specified date, the Closing Price of Common Stock on the last Trading Day before such date. The Common Stock Price shall be appropriately adjusted to take into account any dividends or distributions payable in Common Stock, or any reclassification, subdivision or combination of, or similar transaction involving, Common Stock.

"Conversion Amount Per Share" is equal to the Convertible Participating Preferred Stock Value Per Share.

"Conversion Date" means the date specified in Section 6(c)(i) of this Division A-2.

"Conversion Notice" means a notice described in Section 6(c)(i) of this Division A-2

"Convertible Participating Preferred Stock" has the meaning set forth in Section 2 of this Division A-2.

"Convertible Participating Preferred Stock Liquidation Preference" has the meaning set forth in Section 8(a) of this Division A-2.

"Convertible Participating Preferred Stock Value Per Share" is equal to a fraction. The numerator is the sum of (a) the Adjusted Common Stock Value plus (b) the Base Value less (c) the Acquisition Debt. The denominator is 250,000 shares. If the Convertible Participating Preferred Stock Value Per Share is being calculated on a date on which principal is being paid on the Purchase Money Note, the Base Value shall be calculated including the principal payment made on that date.

"ESOP" means the employee stock ownership plan feature of the Plan and any other employee stock ownership plan and trust that is designated by the Corporation and that assumes or becomes a transferee or a successor by merger, spin-off or split-up, of any of the assets and liabilities of such employee stock ownership plan feature.

"ESOP Loan Suspense Account" means a suspense account maintained by the ESOP pursuant to Treasury Regulation Section 54.4975-11(c) (1979).

"Floor Price" means the Common Stock Price on the Original Issue Date.

"Liquidation" has the meaning set forth in Section 8(a) of this Division A-2.

"Original Issue Date" means the date of original issuance of the Convertible Participating Preferred Stock.

"Per-Share Redemption Amount" means, as of any specified date, the Conversion Amount Per Share.

"Plan" means The Sherwin-Williams Company Employee Stock Purchase and Savings Plan, and any other plan and trust qualified under Code Section 401(a) that is designated by the Corporation and that assumes or becomes a transferee or a successor by merger, spin-off or split-up, of substantially all of the assets and liabilities of such plan.

"Purchase Money Note" means the purchase money note, in the principal amount of Two Hundred Fifty Million Dollars (\$250,000,000), made in favor of the Company by The Sherwin-Williams Company Employee Stock Purchase and Savings Plan to acquire the Convertible Participating Preferred Stock.

"Redemption Date" means the Business Day that is the effective date of a redemption pursuant to Section 7(b) of this Division A-2.

"Redemption Notice" means the notice described in Section 7(b) of this Division A-2.

"Redemption Price" means the sum of: (a) the product of (i) the number of whole and fractional shares of Convertible Participating Preferred Stock redeemed, multiplied by (ii) the Per-Share Redemption Amount; plus (b) any accumulated and unpaid dividends on the shares of Convertible Participating Preferred Stock.

"Series" has the meaning set forth in Section 2 of this Division A-2.

"Trading Day" means, with respect to any security, (a) if the principal trading market for the applicable security is the NYSE or another national securities exchange, a day on which the NYSE or such other national securities exchange is open for business, (b) if the principal trading market for the applicable security is the Nasdaq, a day on which a trade may be made on the Nasdaq National Market, or (c) if the applicable security is not listed, admitted for trading or quoted as provided in clause (a) or (b), any Business Day. Any day for which there is no reported sales of Common Stock on the applicable exchange or market shall not be treated as a Trading Day.

Section 2. Designation of Series. There is established hereby a series of Serial Preferred Stock that shall be designated "Convertible Participating Serial Preferred Stock" (hereinafter sometimes called this "Series" or the "Convertible Participating Preferred Stock") and that shall have the terms set forth in this Division A-2.

Section 3. Number of Shares. The number of shares of this Series shall be 1,000,000.

Section 4. Issuance and Transfer Restrictions. Shares of Convertible Participating Preferred Stock shall be issued and sold by the Company to the Plan to be held in the ESOP Loan Suspense Account. Shares of Convertible Participating Preferred Stock shall be uncertificated shares. Transfers of shares of Convertible Participating Preferred Stock may only be effected by applicable entry or entries in the stock transfer books of the Company. Shares of Convertible Participating Preferred Stock are prohibited from being transferred out of the ESOP Loan Suspense Account until such time as such shares are converted into shares of Common Stock in accordance with Section 6 of this Division A-2 or redeemed by the Company in accordance with Section 7 of this Division A-2. The transfer restrictions set forth in the preceding sentence shall not apply to any shares of Common Stock resulting from a conversion of the Convertible Participating Preferred Stock.

Section 5. Dividends. The holders of record of shares of Convertible Participating Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors in accordance with the terms hereof, out of funds legally available for such purpose, cumulative quarterly dividends payable in cash on the last day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share of Convertible Participating Preferred Stock or fraction of a share of Convertible Participating Preferred Stock, in an amount per share equal to \$10.00 per share. Dividends shall begin to accrue and be cumulative on outstanding shares of Convertible Participating Preferred Stock from the date of issue of such shares. Accrued but unpaid dividends shall not bear interest. No dividends shall be paid upon or declared and set apart for any Convertible Participating Preferred Stock for any dividend period unless at the same time a dividend for the same dividend period, ratably in proportion to the respective annual dividend rates fixed therefor, shall be paid upon or declared and set apart for all Serial Preferred Stock of all series then outstanding and entitled to receive such dividend. The Board of Directors may fix a record date for the determination of holders of Convertible Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 40 days prior to the date fixed for the payment thereof.

Section 6. Conversion.

(a) Conversion Right. All or any portion of the outstanding shares of Convertible Participating Preferred Stock held in the ESOP Loan Suspense Account shall be convertible, at the option of the Plan, at any time and from time to time, and without the payment of additional consideration by the Plan, into such number of shares of Common Stock as is determined under the following conversion formula. Each share of Convertible Participating Preferred Stock will be converted into a number of shares of Common Stock equal to (i) the Conversion Amount Per Share divided by (ii) the Common Stock Price.

(b) Alternative Conversion Right. All, but not less than all, of the outstanding shares of Convertible Participating Preferred Stock held in the ESOP Loan Suspense Account shall be convertible, at the option of the Plan, at any time and from time to time, and without payment of additional consideration by the Plan, into such number of shares of Common Stock as is determined under the following conversion formula. Each share of Convertible Participating Preferred Stock will be converted into a number of shares of Common Stock equal to (i) the Adjusted Common Stock Value divided by (ii) 250,000 shares divided by (iii) the Common Stock Price. In the event the Convertible Participating Preferred Stock are converted pursuant to the Alternative Conversion Right set forth in this Section 6(b), the entire unpaid principal balance and any and all interest accrued on such unpaid principal balance owing under the Purchase Money Note shall immediately become due and payable.

(c) Conversion Procedures.

(i) In order to convert shares of Convertible Participating Preferred Stock into shares of Common Stock pursuant to this Section 6, the Plan shall deliver to the Company at its principal executive offices or another place designated by the Company in a written notice sent to the Plan, a Conversion Notice, in form satisfactory to the Company, duly executed by the Plan. Each Conversion Notice shall specify (1) the number of shares of Convertible Participating Preferred Stock to be converted and (2) whether the Convertible Participating Preferred Stock are being converted pursuant to the Conversion Right set forth in Section 6(a) of this Division A-2 or the Alternative Conversion Right set forth in Section 6(b) of this Division A-2. In the event shares of the Convertible Participating Preferred Stock are converted pursuant to this Section 6, the Company shall deliver Common Stock which is readily tradable on an established securities market (A) as soon as practicable after receipt of the Conversion Notice, if such Conversion Notice is received prior to the effectiveness of any registration statement filed with the Securities and Exchange Commission regarding the registration of such Common Stock, or (B) as soon as reasonably practicable, but not later than five (5) Business Days, after receipt of the Conversion Notice, if such Conversion Notice is received after the effectiveness of any registration statement filed with the Securities and Exchange Commission regarding the registration of such Common Stock. Any conversion pursuant to this Section 6 shall be deemed to have been effected at the close of business on the Business Day on which the Conversion Notice has been received by the Company (a "Conversion Date").

(ii) The Company shall, as soon as practicable after the Conversion Date, cause to be issued and delivered to the person specified in the Conversion Notice a certificate or certificates evidencing the number of full shares of Common Stock to which such person shall be entitled, together with a cash payment in respect of any fractional shares of Common Stock otherwise issuable. The person or persons entitled to receive the shares of Common Stock deliverable upon conversion of such shares of Convertible Participating Preferred Stock shall be treated for all purposes as the record holder or holders of such shares of Common Stock on the relevant Conversion Date, unless the stock transfer books of the Company shall be closed on such Conversion Date, in which event such person or persons shall be deemed to have become such holder or holders of record at the close of business on the next succeeding day on which such stock transfer books are open.

(d) Fractional Shares. No fractional shares or scrip representing fractional shares of Common Stock shall be issued upon conversion of any shares of Convertible Participating Preferred Stock. If more than one share of Convertible Participating Preferred Stock shall be surrendered for conversion at one time by the same record holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of Convertible Participating Preferred Stock which are converted. In lieu of any fractional share of Common Stock that would otherwise be issuable upon conversion of any shares of Convertible Participating Preferred Stock, the Company shall pay a cash adjustment in respect of such fractional share in lieu thereof, calculated to the nearer cent, with one-half cent or more rounded upward.

(e) Reservation and Authorization of Shares. The Company shall at all times when the Convertible Participating Preferred Stock shall be outstanding, reserve and keep available out of its authorized but unissued Common Stock, for the purpose of effecting the conversion of the Convertible Participating Preferred Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Convertible Participating Preferred Stock.

(f) Converted Shares. After the Conversion Date with respect to any shares of Convertible Participating Preferred Stock, such shares shall no longer be deemed to be outstanding and all rights with respect to such shares, including but not limited to the rights, if any, to receive notices or distributions and to vote, shall immediately cease and terminate on the Conversion Date, except only the right of the holders thereof to receive shares of Common Stock (and cash in lieu of fractional shares) in exchange therefor.

Section 7. Redemption.

(a) Shares Released from the ESOP Loan Suspense Account. The Plan may, at the option of the Plan, elect to have the Company redeem any or all shares or fractions of a share of Convertible Participating Preferred Stock when and as they are released from the ESOP Loan Suspense Account as provided in Treasury Regulation section 54.4975-11(c). The amount paid by the Company for shares so redeemed shall be equal to the Redemption Price.

(b) Notice of Redemption. In the event of a redemption pursuant to Section 7(a) of this Division A-2, the Plan shall give notice (a "Redemption Notice") to the Company. Each Redemption Notice shall specify (i) the Redemption Date, (ii) the number of shares of Convertible Participating Preferred Stock to be redeemed or the aggregate Redemption Price for all shares of Convertible Participating Preferred Stock to be redeemed as of the applicable Redemption Date, (iii) the place or places for payment of the Redemption Price, (iv) that payment will be made upon surrender of shares of Convertible Participating Preferred Stock, and (v) that the right of holders to convert shares of Convertible Participating Preferred Stock shall terminate at the close of business on the Redemption Date (unless the Company defaults in the payment of the Redemption Price). The Redemption Date may be the date the Redemption Notice is given.

(c) Redemption Procedures. On the Redemption Date, the Plan shall surrender the shares of Convertible Participating Preferred Stock to the Company and shall thereupon be entitled to receive payment of the applicable Redemption Price for each such share. If a Redemption Notice shall have been given, as aforesaid, and if, on the Redemption Date, assets necessary for the redemption shall be legally available therefor and shall have been irrevocably deposited, set aside for or paid (including, payment in the form of debt forgiveness) to the Plan, then, notwithstanding that the redeemed shares of Convertible Participating Preferred Stock shall not have been surrendered, (i) such shares shall no longer be deemed

outstanding, (ii) the Plan shall cease to be a stockholder of the Company to the extent of its interest in such shares, and (iii) all rights whatsoever with respect to such shares of Convertible Participating Preferred Stock shall terminate, except the right to receive the Redemption Price for each such share, without interest or any sum of money in lieu of interest thereon. Redemptions of Convertible Participating Preferred Stock shall be effected as of the close of business on the Redemption Date before effecting any conversion for which the Conversion Date corresponds with the Redemption Date.

(d) No Sinking Fund. The shares of Convertible Participating Preferred Stock shall not be subject to the operation of any retirement or sinking fund.

(e) Redeemed Shares. After the Redemption Date with respect to any shares of Convertible Participating Preferred Stock, such shares shall no longer be deemed to be outstanding and all rights with respect to such shares, including but not limited to the rights, if any, to receive notices or distributions and to vote, shall immediately cease and terminate on the Redemption Date, except only the right of the holders thereof to receive the Redemption Price therefor, without interest or any sum of money in lieu of interest thereon. Any shares of Convertible Participating Preferred Stock redeemed pursuant to this Section 7 shall be retired and canceled after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Serial Preferred Stock and may be reissued as part of a new series of Serial Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions set forth herein.

(f) Payment of Redemption Price. The Company, at its option, may make payment of the Redemption Price (i) in cash, (ii) in shares of Common Stock which are readily tradeable on an established securities market, or (iii) in any combination of any of the foregoing. For purposes of determining the number of shares of Common Stock to be delivered by the Company in satisfaction, in whole or in part, of any Redemption Price, shares of Common Stock shall be valued at the Common Stock Price as of the Redemption Date.

Section 8. Liquidation.

(a) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company (hereinafter referred to as a "Liquidation"), no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon Liquidation) to the Convertible Participating Preferred Stock, unless, prior thereto, the holders of shares of Convertible Participating Preferred Stock shall have received at least an amount per share equal to \$1,000, plus an amount equal to accrued and unpaid dividends thereon, whether or not earned or declared, to the date of such payment (the "Convertible Participating Preferred Stock Liquidation Preference").

(b) In the event, however, that the net assets of the Company are not sufficient to pay in full the amount of the Convertible Participating Preferred Stock Liquidation Preference and the liquidation preferences of all other series of Serial Preferred Stock, if any, which rank on a parity with the Convertible Participating Preferred Stock as to distribution of assets in Liquidation, all shares of this Series and of such other series of Serial Preferred Stock shall share ratably in the distribution of assets (or proceeds thereof) in Liquidation in proportion to the full amounts to which they are respectively entitled.

(c) The merger or consolidation of the Company into or with any other Company, or the merger of any other corporation into it, or the sale, lease or conveyance of all or substantially all the property or business of the Company, shall not be deemed to be a Liquidation for the purposes of this Section 8.



Prescribed by
 Bob Taft, Secretary of State
 30 East Broad Street, 14th Floor
 Columbus, Ohio 43266-0418
 Form C-107 (January 1991)

05841-0791

Charter No.	8027
Approved	CR
Date	4-25-97
Fee	35 -

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CERTIFICATE OF AMENDMENT

By Directors of

The Sherwin-Williams Company

(Name of Corporation)

Louis E. Stellato who is:

☐ Chairman of the Board ☐ President ☒ Vice President (check one)

and

James J. Sgambellone who is: ☐ Secretary ☒ Assistant Secretary (check one)

of the above named Ohio corporation for profit do hereby certify that:

☒ a meeting of the Board of Directors called and held on the the 23rd day of April, 19 97,

☐ in writing signed by all the Directors pursuant to Section 1701.54 of the Ohio Revised Code,

the following resolution was adopted pursuant to Section 1701.70(B)(1) (insert the proper paragraph number) of the Ohio Revised Code:

RESOLVED, that pursuant to the authority vested in the Board of Directors by Ohio Revised Code Section 1701.70(B)(1) and Article FOURTH, Division A, Section 1 of the Company's Amended Articles of Incorporation (the "Amended Articles"), Articles FOURTH of the Amended Articles be, and it hereby is, amended by deleting Division A-1 thereof in its entirety and replacing it with a new Division A-1 set forth in Exhibit A, attached hereto and incorporated herein by this reference.

FURTHER RESOLVED, that in all other respects the Amended Articles, including, without limitation, all other provisions of Article FOURTH, shall remain unchanged.

RECEIVED

APR 25 1997

BOB TAFT

IN WITNESS WHEREOF, the above named officers, acting for and on behalf of the corporation, have hereunto subscribed their names this 23rd day of April, 19 97.

BY: Louis E. Stellato
 (Chairman, President, Vice President)

BY: James J. Sgambellone
 (Secretary, Assistant Secretary)

NOTE: Ohio law does not permit one officer or sign in two capacities. Two separate signatures are required, even if this necessitates the election of a second officer before the filing can be made.

EXHIBIT A 05841-0792

DIVISION A-1

CUMULATIVE REDEEMABLE SERIAL PREFERRED STOCK

Section 1. There is established hereby a series of Serial Preferred Stock that shall be designated "Cumulative Redeemable Serial Preferred Stock" (hereinafter sometimes called this "Series" or the "Cumulative Redeemable Preferred Stock") and that shall have the terms set forth in this Division A-1.

Section 2. The number of shares of this Series shall be 3,000,000.

Section 3. (a) The holders of record of shares of Cumulative Redeemable Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors in accordance with the terms hereof, out of funds legally available for the purpose, cumulative quarterly dividends payable in cash on the first day of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share of Cumulative Redeemable Preferred Stock or fraction of a share of Cumulative Redeemable Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the lesser of (i) \$750 per share or (ii) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions (other than a dividend payable in shares of Common Stock, or a subdivision of the outstanding Common Stock (by reclassification or otherwise)), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share of Cumulative Redeemable Preferred Stock or fraction of a share of Cumulative Redeemable Preferred Stock. In the event the Company shall at any time declare or pay any dividend on the Common Stock payable in Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Cumulative Redeemable Preferred Stock were entitled immediately prior to such event under clause (ii) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Dividends shall begin to accrue and be cumulative on outstanding shares of Cumulative Redeemable Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Cumulative Redeemable Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Cumulative Redeemable Preferred Stock entitled to receive a quarterly

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dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. No dividends shall be paid upon or declared and set apart for any Cumulative Redeemable Preferred Stock for any dividend period unless at the same time a dividend for the same dividend period, ratably in proportion to the respective annual dividend rates fixed therefor, shall be paid upon or declared and set apart for all Serial Preferred Stock of all series then outstanding and entitled to receive such dividend. The Board of Directors may fix a record date for the determination of holders of Cumulative Redeemable Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 40 days prior to the date fixed for the payment thereof.

Section 4. Subject to the provisions of Section 6(b)(iii) of Division A and in accordance with Section 4 of Division A, shares of the Cumulative Redeemable Preferred Stock shall be redeemable from time to time at the option of the Board of Directors of the Company, as a whole or in part, at any time at a redemption price per share equal to one hundred times the then applicable Purchase Price as defined in that certain Rights Agreement, dated as of April 23, 1997 between the Company and KeyBank National Association (the "Rights Agreement"), as the same may be from time to time amended in accordance with its terms, which Purchase Price is \$110 as of April 23, 1997, subject to adjustment from time to time as provided in the Rights Agreement. Copies of the Rights Agreement are available from the Company upon request. In case less than all of the outstanding shares of Cumulative Redeemable Preferred Stock are to be redeemed, the Company shall select by lot the shares so to be redeemed in such manner as shall be prescribed by its Board of Directors.

Section 5. (a) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company (hereinafter referred to as a "Liquidation"), no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon Liquidation) to the Cumulative Redeemable Preferred Stock, unless, prior thereto, the holders of shares of Cumulative Redeemable Preferred Stock shall have received at least an amount per share equal to one hundred times the then applicable Purchase Price as defined in the Rights Agreement, as the same may be from time to time amended in accordance with its terms (which Purchase Price is \$110 as of April 23, 1997), subject to adjustment from time to time as provided in the Rights Agreement, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not earned or declared, to the date of such payment, provided that the holders of shares of Cumulative Redeemable Preferred Stock shall be entitled to receive at least an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of Common Stock (the "Cumulative Redeemable Preferred Stock Liquidation Preference").

(b) In the event, however, that the net assets of the Company are not sufficient to pay in full the amount of the Cumulative Redeemable Preferred Stock Liquidation Preference and the liquidation preferences of all other series of Serial Preferred Stock, if any, which rank on a parity with the Cumulative Redeemable Preferred Stock as to distribution of assets in Liquidation, all shares of this Series and of such other series of Serial Preferred Stock shall share ratably in the distribution of

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assets (or proceeds thereof) in Liquidation in proportion to the full amounts to which they are respectively entitled.

(c) In the event the Company shall at any time declare or pay any dividend on the Common Stock payable in Common Stock, or effect a subdivision or combination or consolidation of the outstanding Common Stock (by reclassification or otherwise than by payment of a dividend in Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of Cumulative Redeemable Preferred Stock were entitled immediately prior to such event pursuant to the proviso set forth in paragraph 5(a) above, shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(d) The merger or consolidation of the Company into or with any other corporation, or the merger of any other corporation into it, or the sale, lease or conveyance of all or substantially all the property or business of the Company, shall not be deemed to be a Liquidation for the purposes of this Section 5.

Section 6. The Cumulative Redeemable Preferred Stock shall not be convertible into Common Stock.

R E G U L A T I O N S

OF

THE SHERWIN-WILLIAMS COMPANY

(As Amended April 27, 1988)

ARTICLE I

SHAREHOLDERS' MEETINGS

Section 1. Annual Meeting

The annual meeting of shareholders shall be held at 10:30 o'clock A.M., or at such other time as may be designated in the notice of said meeting, on the fourth Wednesday in April in each year, if not a legal holiday, and if a legal holiday, then on the next day not a legal holiday, for the election of Directors and the consideration of reports to be laid before such meeting. Upon due notice, there may also be considered and acted upon at such annual meeting any matter which could properly be considered and acted upon at a special meeting, in which case and for which purpose the annual meeting shall also be considered as, and shall be, a special meeting. When the annual meeting is not held or Directors are not elected thereat, they may be elected at a special meeting called for that purpose.

Section 2. Special Meetings

Special meetings of shareholders may be called by the Chairman of the Board or the President or a Vice President, or by the Directors by action of a meeting, or by a majority of the Directors acting without a meeting, or by the person or persons who hold at last fifty percent of all shares outstanding and entitled to be voted on any proposal to be submitted at said meeting.

Upon request in writing delivered either in person or by registered mail to the President or Secretary by any person or persons entitled to call a meeting of shareholders, such officer shall forthwith cause to be given, to the shareholders entitled thereto, notice of a meeting to be held not less than twenty nor more than ninety days after the receipt of such request, as such officer shall fix. If such notice is not given within forty days after the delivery or mailing of such request, the person or persons calling the meeting may fix the time of meeting and give, or cause to be given, notice in the manner hereinafter provided.

Section 3. Place of Meetings

Any meeting of shareholders may be held either at the principal office of the Company or at such other place within or without the State of Ohio as may be designated in the notice of said meeting.

Section 4. Notice of Meetings

Not more than sixty days nor less than seven days before the date fixed for a meeting of shareholders, whether annual or special, written notice of the time, place and purposes of such meeting shall be given by or at the direction of the President, a Vice President, the Secretary or an Assistant Secretary. Such notice shall be given either by personal delivery or by mail to each shareholder of record entitled to notice of such meeting. If such notice is mailed, it shall be addressed to the shareholders at their respective addresses as they appear on the records of the Company, and notice shall be deemed to have been given on the day so mailed. Notice of adjournment of a meeting need not be given if the time and place to which it is adjourned are fixed and announced at such meeting.

Section 5. Quorum

To constitute a quorum at any meeting of shareholders, there shall be present in person or by proxy shareholders of record entitled to exercise not less than fifty percent of the voting power of the Company in respect of any one of the purposes for which the meeting is called.

The shareholders present in person or by proxy, whether or not a quorum be present, may adjourn the meeting from time to time.

Section 6. Voting

In all cases, except where otherwise by statute or the Articles or the Regulations provided, a majority of the votes cast shall control.

Section 7. Action Without a Meeting

Any action which may be authorized or taken at a meeting of the shareholders may be authorized or taken without a meeting in a writing or writings signed by all of the shareholders who would be entitled to notice of a meeting for such purpose, which writing or writings shall be filed with or entered upon the records of the Company.

ARTICLE II

DIRECTORS

Section 1. Election, Number and Term of Office

The Directors shall be elected at the annual meeting of shareholders, or if not so elected, at a special meeting of shareholders called for that purpose, and each Director shall hold office until the date fixed by these Regulations for the next succeeding annual meeting of shareholders and until his successor is entitled, or until his earlier resignation, removal from office, or death. At any meeting of shareholders at which Directors are to be elected, only persons nominated as candidates shall be eligible for election.

The number of Directors, which shall not be less than three, may be fixed or changed at a meeting of the shareholders called for the purpose of electing Directors at which a quorum is present, by the affirmative vote of the holders of a majority of the shares represented at the meeting and entitled to vote on such proposal. In case the shareholders at any meeting for the election of Directors shall fail to fix the number of Directors to be elected, the number elected shall be deemed to be the number of Directors so fixed.

In addition to the authority of the shareholders to fix or change the number of Directors, the number of Directors so fixed may be increased or decreased by not more than two between shareholders' meetings by the Board of Directors at a meeting or by action without a meeting, and the number of Directors as so changed shall be the number of Directors until further changed in accordance with this Section; provided, that no such decrease in the number of Directors shall result in the removal of any incumbent Director or reduction in the term of any incumbent Director. In the event that the Directors increase the number of Directors, the Directors who are then in office may fill any vacancy created thereby.

Section 2. Meetings

Regular meetings of the Directors shall be held immediately after the annual meeting of shareholders and at such other times and places as may be fixed by the Directors, and such meetings may be held without further notice.

Special meetings of the Directors may be called by the Chairman of the Board or by the President or by a Vice President or by the Secretary, or by not less than one-third of the Directors. Notice of the time and place of a special meeting shall be served upon or telephoned to each Director at least twenty-four hours, or mailed, telegraphed or cabled to each Director at least forty-eight hours, prior to the time of the meeting.

Section 3. Quorum

A majority or five (whichever is the lesser) of the Directors then in office shall constitute a quorum for the transaction of business, but if any other meeting of the Directors there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time without notice other than announcement at the meeting until a quorum shall attend.

Section 4. Action Without a Meeting

Any action which may be authorized or taken at a meeting of the Directors may be authorized or taken without a meeting in a writing or writings signed by all the Directors, which writing or writings shall be filed with or entered upon the records of the Company.

Section 5. Committees

The Directors may from time to time create a committee or committees of Directors to act in the intervals between meetings of the Directors and may delegate to such committee or committees any of the authority of the Directors other than that of filling vacancies among the Directors or in any committee of the Directors. No committee shall consist of less than three Directors. The Directors may appoint one or more Directors as alternate members of any such committee, who may take the place of any absent member or members of any meeting of such committee.

In particular, the Directors may create and define the powers and duties of an Executive Committee. Except as above provided and except to the extent that its powers are limited by the Directors, the Executive Committee during the intervals between meetings of the Directors shall possess and may exercise, subject to the control and direction of the Directors, all of the powers of the Directors in the management and control of the business of the Company, regardless of whether such powers are specifically conferred by these Regulations. All action taken by the Executive Committee shall be reported to the Directors at their first meeting thereafter.

Unless otherwise ordered by the Directors, a majority of the members of any committee appointed by the Directors pursuant to this section shall constitute a quorum at any meeting thereof, and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of such committee. Action may be taken by any such committee without a meeting by a writing or writings signed by all of its members. Any such committee shall prescribe its own rules for calling and holding meetings and its method of procedure, subject to any rules prescribed by the Directors, and shall keep a written record of all action taken by it.

ARTICLE III

OFFICERS

Section 1. Officers

All of the officers and assistant officers shall be elected by the Directors. The Company may have a Chairman of the Board and shall have a President (both of whom shall be Directors), a Secretary and a Treasurer. The Company may also have one or more Vice Presidents and such other officers and assistant officers as the Directors may deem necessary.

Section 2. Authority and Duties of Officers

The officers of the Company shall have such authority and shall perform such duties as are customarily incident to their respective offices, or as may be specified from time to time by the Directors regardless of whether such authority and duties are customarily incident to such office.

ARTICLE IV

INDEMNIFICATION, INSURANCE AND LIMITATION OF LIABILITY

Section 1. Indemnification

(a) The Company shall indemnify any person who was or is a party or is threatened with being made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, including all appeals (other than an action, suit or proceeding by or in the right of the Company) by reason of the fact that he is or was a Director, officer or employee of the Company, or is or was serving at the request of the Company as a Director, officer or employee of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, decrees, fines, penalties and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith or in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal action, suit or proceeding, that he had reasonable cause to believe that his conduct was unlawful.

(b) The Company shall indemnify any person who was or is a party or is threatened with being made a party to any threatened, pending or completed action, suit or proceeding, including all

appeals, by or in the right of the Company to procure a judgment in its favor by reason of the fact that he is or was a Director, officer or employee of the Company, or is or was serving at the request of the Company as a Director, officer or employee of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company, except that no indemnification shall be made in respect of any of the following:

(1) any claim, issue, or matter as to which such person is adjudged to be liable for negligence or misconduct in the performance of his duty to the Company unless, and only to the extent that the court of common pleas, or the court in which such action or suit was brought determines upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court of common pleas or such other court shall deem proper;

(2) any action or suit in which the only liability asserted against a Director is pursuant to Section 1701.95 of the Ohio Revised Code.

(c) Without limiting the right of any Director, officer or employee of the Company to indemnification under any other subsection hereof, if such person has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b) of this section, or in defense of any claim, issue, or matter therein, he shall be indemnified against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the action, suit or proceeding.

(d) Except in a situation governed by subsection (c), any indemnification under subsections (a) and (b) (unless ordered by a court) shall be made by the Company only as authorized in the specific case upon a determination that indemnification of the Director, officer or employee is proper in the circumstances because he has met the applicable standard of conduct set forth in subsections (a) and (b). Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of Directors who are not or were not parties to or threatened with such action, suit or proceeding, or any other action, suit or proceeding arising from the same or similar operative facts, or (2) if such a quorum is not obtainable, or even if obtainable, if a majority of such quorum of disinterested Directors so directs, by independent legal counsel (compensated by the Company) in a written opinion, or (3) if there be no disinterested Directors, or if a majority of the disinterested Directors, whether or not a quorum, so directs, by vote in person or by proxy of the holders of a majority of the shares entitled to vote in the election of

Directors, without reference to default or contingency which would permit the holders of one or more classes of shares to vote for the election of one or more Directors.

(e) Unless the only liability asserted against a Director in an action, suit or proceeding referred to in subsections (a) and (b) of this section is pursuant to Section 1701.95 of the Ohio Revised Code, expenses, including attorneys' fees, incurred by a Director in defending the action, suit or proceeding shall be paid by the Company as they are incurred, in advance of the final disposition of the action, suit or proceeding upon receipt of an undertaking by or on behalf of the Director in which he agrees to do both of the following:

(1) repay such amount if it is proved by clear and convincing evidence in a court of competent jurisdiction that his action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the Company or undertaken with reckless disregard for the best interests of the Company.

(2) reasonably cooperate with the Company concerning the action, suit or proceeding.

Expenses, including attorneys' fees, incurred by other persons entitled to indemnification hereunder in defending any action, suit or proceeding referred to in subsections (a) and (b) of this section may be paid by the Company as they are incurred, in advance of the final disposition of the action, suit or proceeding as authorized by the Directors in the specific case upon receipt of an undertaking by or on behalf of such persons to repay such amount, if it ultimately is determined that he is not entitled to be indemnified by the Company.

(f) The indemnification authorized by this Article shall not be exclusive of and shall be in addition to any other rights granted to any person as a matter of law, by the Articles, Regulations, agreements, insurance, vote of shareholders or otherwise, with respect to action in his official capacity and with respect to action in another capacity while holding such office and shall continue as to a person who has ceased to be a Director, officer, or employee and shall inure to the benefit of the heirs, executors and administrators of such a person.

(g) Subsections (a) through (f) of this Article shall apply to such agents of the Company as are designated at any time by the Board of Directors.

(h) If any part of this Article shall be found, in any action, suit or proceeding, to be invalid or ineffective, the validity and the effect of the remaining parts shall not be affected.

Section 2. Liability Insurance

(a) The Company may purchase and maintain insurance or furnish similar protection, including but not limited to trust funds, letters of credit or self-insurance, on behalf of or for any person who is or was a Director, officer, employee or designated agent of the Company or is or was serving at the request of the Company as a Director, officer, employee or designated agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Company would have the power to indemnify him against such liability under the provisions of this Article or of Chapter 1701 of the Ohio Revised Code. Insurance may be purchased from or maintained with a person in which the Company has a financial interest.

(b) The Company is expressly authorized to enter into any indemnification or insurance agreements with or on behalf of any person who is or was a Director, officer, employee or designated agent of the Company or is or was serving at the request of the Company as a Director, officer, employee or designated agent of another corporation, partnership, joint venture, trust or other enterprise, in accordance with the terms of this Article IV or the laws of the State of Ohio. Such agreements may include, but are not limited to agreements providing for indemnification or the advancement of expenses under Section 1 of this Article IV, agreements providing for insurance, indemnification or the advancement of expenses by way of self-insurance, whether or not funded through the use of a trust, escrow agreement, letter of credit, etc., in accordance with subsection (a) of this Section 2, and agreements providing for insurance or indemnification through the commercial insurance market.

Section 3. Limitation of Liability

(a) No person shall be found to have violated his duties to the Company as a Director of the Company in any action brought against such Director (including actions involving or affecting any of the following: (1) a change or potential change in control of the Company; (2) a termination or potential termination of his service to the Company as a Director; or (3) his service in any other position or relationship with the Company), unless it is proved by clear and convincing evidence that the Director has not acted in good faith, in a manner he reasonably believes to be in or not opposed to the best interests of the Company, or with the care that an ordinarily prudent person in a like position would use under similar circumstances. Notwithstanding the foregoing, nothing contained in this paragraph (a) limits relief available under Section 1701.60 of the Ohio Revised Code.

(b) In performing his duties, a Director shall be entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, that are prepared or presented by: (1) one or more Directors, officers or

employees of the Company whom the Director reasonably believes are reliable and competent in the matters prepared or presented; (2) counsel, public accountants, or other persons as to matters that the Director reasonably believes are within the person's professional or expert competence; or (3) a committee of the Directors upon which he does not serve, duly established in accordance with the provisions of these Regulations, as to matters within its designated authority, which committee the Director reasonably believes to merit confidence.

(c) A Director in determining what he reasonably believes to be in the best interests of the Company shall consider the interests of the Company's shareholders and, in his discretion, may consider (1) the interests of the Company's employees, suppliers, creditors and customers; (2) the economy of the state and nation; (3) community and societal considerations; and (4) the long-term as well as short-term interests of the Company and its shareholders, including the possibility that these interests may be best served by the continued independence of the Company.

(d) A Director shall be liable in damages for any action he takes or fails to take as a Director only if it is proved by clear and convincing evidence in a court of competent jurisdiction that his action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the Company or undertaken with reckless disregard for the best interests of the Company. Notwithstanding the foregoing, nothing contained in this paragraph (d) affects the liability of Directors under Section 1701.95 of the Ohio Revised Code or limits relief available under Section 1701.60 of the Ohio Revised Code.

ARTICLE V

MISCELLANEOUS

Section 1. Transfer and Registration of Certificates

The Directors shall have authority to make such rules and regulations as they deem expedient concerning the issuance, transfer and registration of certificates for shares and the shares represented thereby and may appoint transfer agents and registrars thereof.

Section 2. Substituted Certificates

Any person claiming a certificate for shares to have been lost, stolen or destroyed shall make an affidavit or affirmation of that fact, shall give the Company and its registrar or registrars and its transfer agent or agents a bond of indemnity satisfactory to the Directors or to the Executive Committee or to the President or a Vice President and the Secretary or the Treasurer, whereupon a new certificate may be executed and delivered of the same tenor and for the same number of shares as the one alleged to have been lost, stolen or destroyed.

Section 3. Articles to Govern

In case any provision of these Regulations shall be inconsistent with the Articles, the Articles shall govern.

Section 4. Amendments

These Regulations may be amended by the affirmative vote or the written consent of the shareholders of record entitled to exercise a majority of the voting power on such proposal, provided, however, that if an amendment is adopted by written consent without a meeting of the shareholders, the Secretary shall mail a copy of such amendment to each shareholder of record who would have been entitled to vote thereon and did not participate in the adoption thereof.

MLS/135



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